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THE OUTLOOK

Prices of Industrials Topple—The Money and Credit Situation—Business, Taxation, Labor and Prices—The Market Prospect

THE reaction in stocks, long considered by professional operators to be "over-due," has at last arrived. The postponement of its appearance was in large part due to the effect of the income and excess profits taxes, which would compel the holder of stocks who has a big income to turn over most of his profit to the Government in the event that he should sell his stocks. Another strong influence was the lively desire of the public to speculate, which sprang up powerfully as soon as the anxieties of the war were over.

But the price-structure of a long continued bull market eventually reaches the point of toppling over, no matter how exceptional the conditions may seem on which it is based.

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Is There Money Enough to Go Around?

THE pinch in call money, which has carried the rate to 15% has perhaps been accorded more attention than it deserves. It was largely due to the heavy drafts on the banks for June 15 income tax payments. When the March 15 payments were made the Treasury immediately redeposited the checks in the banks, so that the money was tied up only a day or two. This has not so far been done with the June 15 payments, consequently the drain on the banks has been heavier.

Unquestionably the Treasury and the Federal Reserve Board were glad to see higher call money rates, for the purpose of checking the big speculation in industrial stocks, and it may be assumed that that was the reason why checks were not immediately redeposited. The Board asked itself, as we learn from reliable sources: "Why should any special effort be made to return this money to the banks promptly, if it is to be used to carry the prices of industrial stocks still higher?"

Nevertheless the money paid over to the Government will soon return to the banks, if not by early deposit of the checks, then by the natural course of trade. The Government's expenses are running so large that the amounts received in taxes must very quickly be paid out and it will then be redeposited in the banks by the persons or companies receiving it. So the pinch in call money is to be looked upon as merely a transient phenomenon, soon to pass, or probably already past.

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Increasing Firmness Probable

FROM a broader point of view, however, these high rates for call money are significant of a gradually increasing firmness in the money market. The rate for commercial paper nearly always affords the best index to the general supply of money. That rate, long stationary at about 5¼% for prime paper at New York, has stiffened to about 5½%.

Some dealers in commercial paper think this is merely a reflection of the high rates for call money. But it is significant that there are more borrowers than lenders at these rates, so that dealers' portfolios of bills are becoming clogged and they are borrowing a good deal of money to carry them. New York banks are lending very little on commercial paper. It is being placed almost entirely in the country sections.

We believe that commercial borrowing will increase and that the rate will work slowly higher. With the growing activity of business; with a building boom in the offing which is likely to be under good headway by fall; and with no early prospect of any decline in the level of commodity prices, it seems tolerably clear that there must be a growing demand for commercial credits.

From a still broader standpoint, also, there must be a continued heavy demand for capital, and therefore for credit, which is the liquid form through which capital must pass in its course through the investment markets.

The remaining costs of the war, not covered by previous loans or by taxation, may reach $5,000,000,000, according to the estimates of Government officials. Of course such an estimate can be little more than a guess, but a large amount of additional money will certainly be required.

New securities will be offered just about as fast as the market will take them. It is noticeable that the capitalization of new companies incorporated reached a new high record in April at $515,000,000, but rose still further in May to $748,000,000. That means plenty of new securities in the making.

Again, demoralized Europe needs all the money we can lend it. Our leading bankers are forming plans for such loans and there can be little question that we shall, in one way or another, continue to send a great deal of capital abroad in the form of supplies and materials so urgently needed, which will be paid for by securities, rather than by cash or goods, as would be the case in the normal course of foreign trade.

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Important Influence of Rediscounting

THESE big prospective demands for credit might well give us pause if it were not for the rediscounting privilege included in our new banking system, which enables the banks to promptly turn bank or trade acceptances, commercial paper, Government bonds, or Treasury certificates, into money in the form of Federal Reserve currency. The resources of the system in this direction are far from being completely used, even after all our big Government loans.

The Federal Board is now investigating the extent to which the money borrowed by member banks on the strength of Government bonds or certificates as collateral, is being used for other purposes than to carry customers who have bought Liberty bonds on credit. The result of the investigation has not been announced. It is a matter of course that if this practice is found to exist it will be checked. But it will still be possible, in many cases, for the individual bondholder on credit to delay full payment to his bank and to make use of the money in other channels.

About 80% of the Federal Banks' invested assets consist of paper secured by Government obligations and it is of the highest importance that these loans be paid off. It is just as much a patriotic obligation to finish paying for a Government bond as it was to buy it in the first place.

But as these loans are paid off they are likely in large part to be replaced by other loans on acceptances or commercial paper, and we believe that there will be little or no reduction at present in the very large total of bank loans.

In short, we see little hope for any early deflation of either loans or commodity prices. That will have to come about through a gradual rise in money rates. We believe that such a rise will occur, and in fact has already begun; but in view of the very great rediscount resources of the Federal System, the change is likely to be slow. Therefore we see no immediate cause for anxiety in regard to the general money situation.

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Business, Taxation, Labor

THE prospect of far the biggest wheat crop ever raised, with a good price guaranteed to the farmer by the Government, assures a continued good demand for everything that the farmer consumes or uses. It is true that the acreage of corn has been somewhat reduced to make room for wheat, but the general crop prospect is excellent.

There are many evidences that demand, now chiefly for articles which go into im-

mediate consumption, is finding its way in due course into the field of construction materials. The decline in U. S. Steel's unfilled orders during May should prove the last sharp fall, at any rate, and there is a fair prospect of a somewhat better showing at the end of June. Government stocks of copper on hand, here and abroad, are being gradually worked off, and the advance of over three cents a pound in the price of copper metal shows that producers now have the situation in hand. And there is every indication of a continued high price for silver.

While general business feels the handicap of high taxes, the fact that the money thus taken by the Government soon flows back into the channels of trade through Government purchases and expenditures enables business to overcome that handicap in part.

While no great reduction in taxation will be possible for the early future, it is sincerely to be hoped that Congress may do away with the iniquitous excess profits tax, which was never defensible except upon the ground of extreme war necessity. The tax upon war profits was and is justifiable, but the heavy burden upon those profits which are due to keen business foresight or to capable and economical management not only has no excuse but is in the highest degree unjust and discouraging to enterprise.

The injurious results predicted in this department when the tax was under consideration have since been abundantly evident. Information has frequently come to us, as to every one else in touch with business, of important enterprises given up because of this tax, of others where expansion was checked, and of established undertakings whose activities have been limited and hampered. Moreover, the tax seriously discourages business economy on the part of any highly successful enterprise. Half or more than half of any doubtful business expenditure must, in such cases, be borne by the Government through the reduction of the excess profits tax to be paid. Such a condition is unhealthy to the last degree.

Labor is in some instances making unreasonable demands. In manufacturing industries and many others, the relation between wages and the cost of living is now about the same as before the war, but that fact is not realized by the workmen, who quite naturally want all they can get. Interest and dividend returns, it is unnecessary to say, have not risen in the same proportion, and there are many salaries and other forms of relatively fixed income which are still far behind the rise in prices.

It is notable that English commodity prices rose 4% during May and are now less than 5% below their extreme high point of the war. In this country, Dun's index shows a rise of 5% since March 1 and is only 2% below the high of the war.

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Prospect for the Market

AS this is written, the market has reacted very sharply, and the decline should go far toward correcting the over-bought situation which existed in the industrial section of the list. The excited speculation on the advance was for the most part confined to special classes of stocks, and it is these which have suffered severely on the reaction.

The rails, having participated but little in the enthusiasm, would show relative stability. The coppers were held in check by the big stocks of copper metal, and are now showing an excellent tone, although naturally sympathizing somewhat with the weakness of the industrials.

It is highly improbable that a bear market in the steels should begin just when unfilled orders are apparently near their bottom limit and a recovery about to set in. On the other hand, the steels at top prices had more than discounted the degree of recovery in the trade that can reasonably be expected in the immediate future. We look upon the reaction in these stocks as a readjustment. The extent of their recovery or further advance must depend upon the industrial outlook as it develops.

Tuesday, June 17, 1919.

A. B. LEACH

A.B.Leach Forecasts Record Oil Demand

Banker and Oil Man Says Fuel Oil Supplanting Coal—Tells of Economic and Oil Situation in Mexico—Oil Prices Will Range Higher

EDITOR'S NOTE—Mr. A. B. Leach, head of a widely and favorably known banking house, has recently returned from a trip to Mexico, where he went to investigate the oil situation and inspect properties in which he is interested in that country. In the following pages he summarizes the results of his observations for the benefit of our readers and makes some very trenchant remarks on the oil situation in general. Mr. Leach is not given to extravagant statements and his well-known conservatism gives an unusual significance to his statements.

"MY first stopping place was at Palo Blanco on the Mexican coast," said the banker-oilman to the interviewer, "and from there I went through the oil district to Tampico. From Tampico I went to Galveston, Texas, and through the Ranger fields to New Orleans.

"The part of Mexico through which I travelled is as fertile and beautiful as one could imagine, but successive revolutions have practically blotted out native development and stopped all progress. The country is infested with bandits. You can imagine how little incentive there is for the native farmer to raise a large crop when he knows that a few miles away there are the headquarters of a robber band which is waiting to rob him of the products of his labor. The native population has largely been killed off or driven away and those that remain live in almost unbelievable poverty and squalor.

"Mexico needs the control of a strong hand. Either this country or France or England or perhaps all three should do in the case of Mexico what the United States has done in Cuba. The average Mexican understands only the rule of force and therefore some sort of a protectorate should be established. That, in my opinion, is the only solution of the situation. There should be some outside control such as the Pratt Amendment gave over Cuba.

The Mexican Oil Boom

"Northern Mexico is in the midst of a great oil development. Extending from the Tepetate district to the Los Naranjos district is a broad oil belt thirty-five miles in length and all along that belt there is development on a large scale.

"Palo Blanco is a buzzing hive of activity. Big tankers arrive daily, buildings are being erected, pipe lines are going into the ground and pump houses, tanks for storing oil, new drilling rigs and topping plants are being erected. On the lagoon is an almost continuous string of barges and tugs.

"Mexico, however, is not a small man's field. It requires large capital to develop oil properties there and for that reason only big companies like the Texas, Atlantic Refining, Standard Oil, Gulf Refining and Aguila can afford to enter the field. Wells in Mexico run down about 2,200 feet, and it costs anywhere from $50,000 to $70,000 to put down a well. So you can readily see the man with small capital has no chance at all.

"Native labor is inexpensive, costing about 2 pesos (50c.) a day. Expert drillers and other experienced labor get higher prices, of course."

The Salt Water Bugaboo

Mr. Leach discussed quite frankly the salt water bugaboo which has been featured extensively in the public prints of late in connection with the Tepetate district.

"The outlook for continued large output from the Tepetate field is excellent," he said. "Some of the wells will show salt water, as is the case with other oil fields, and what the final outcome will be it is difficult to predict. A simile in this connection which I have often used before is that of a pail of water with six inches of oil on the top. Now, by the use

of a syringe you can draw off all the oil without any water, or if you apply too much suction you will get water mixed with oil—a sort of emulsion.

"Oil with only 2% of water is regarded as pure oil. In the Tepetate district some of the wells have shown as high as 16% water. Whether the oil containing a high percentage of water is commercial oil remains to be demonstrated. There are several processes for separating the two elements which will be tested in the near future. It stands to reason that a number of companies cannot take out daily several hundreds of thousands of barrels of oil from a comparatively limited area without causing an underground disturbance that will cause the water to come up with the oil.

"But the companies in the Tepetate field are co-operating with each other and I and my associates feel confident that that field will continue to yield a considerable production."

Speaking of the prospects of the company in which he is interested (Island Oil), Mr. Leach said that plans have been completed for the erection of a 5,000-bbl. topping plant at Palo Blanco and that the land has been cleared and the materials shipped. Near New Orleans a 700 acre site has been selected for the erection of a 5,000-bbl. refinery. This location is about 18 miles above New Orleans and by January 1 next it is expected that both of the new plants will be in operation. Steps are being taken to investigate the matter of handling the casinghead gas from the wells in Mexico. Experts will make a careful analysis of the rich gases with a view to determining whether it is advisable to erect plants to produce gasoline.

The drilling plans of the company call for 5 additional wells, the erection of necessary tanks, pumps, pipe-lines, etc. Within a comparatively short time the company expects to be in a position to deliver 30,000 bbls. of oil daily. Forty miles west of the Tepetate field, Mr. Leach said, the company was expecting to bring in a high gravity oil well which would furnish a reservoir for the company's needs. (Since the above was written it has been reported from Mexico that the Comales well has come in a "gusher," shooting more than 100 feet above the drilling derrick.)

Speaking of Mexico's future as an oil producer, Mr. Leach said that the development to date has scarcely more than touched the edge of the possibilities. The country is the world's oil storehouse for the future. Geologists are divided as to whether Mexican oil occurs in "crevices" or "pools," but there can be no doubt as to the vastness of the supply and the fact that the territory is hardly more than scratched.

Future Price of Oil

"In my opinion prices for oil will work much higher," said Mr. Leach. "Demand is greater than the supply and the demand is bound to increase rapidly. In view of the conditions prevailing, Mexican oil is selling at relatively low prices. With the present prices of coal and wages to coal miners, there can be no other answer but that oil will continue to suppplant the use of coal in many industries. There is a great increase in the industrial demand and the demand for shipping purposes, and there will undoubtedly be a big demand from Europe in the near future. Oil is cheaper and more efficient than coal and must, therefore, come into its own."

SILVER EXPORT COMBINATION IS PROPOSED

The American Mining Congress at Washington is credited with the following statement in connection with plans of the three leading silver producers in this country to have a greater part in determining control of the world price for silver:

"Up to this time a few London brokers have controlled the world's silver price. Ray Baker, Director of the U. S. Mint, backed by the Pittman Dollar Silver Bill, knocked the London plan to bits by a clever official control of the silver minimum.

"Now comes the announcement that a great triumvirate, composed of the Anaconda Company, the American and the U. S. Smelting companies will be organized under the Webb Law to handle all silver exports and to protect American silver producers from foreign domination and price control. The reaction of silver from $1.20, the maximum reached when the white metal was thrown into the open market, to $1.10, believed to be brought about by European combination, forced the action of the American interests."

The Present Position of the Stock Market

By RICHARD D. WYCKOFF

Present Relation of Supply and Demand—Is It Near or Has It Passed a Turning Point?

IT is an old saying: "A tree never grows quite to Heaven." No matter how deep the root, sturdy the trunk and lofty the branches, the tree must stop growing at some height.

So it is with the stock market—the fundamental causes of a rise may be strong to an unprecedented degree; large interests may absorb immense quantities of stocks; the public may buy ravenously; the advance may be spectacular, but at some point or other the turning point will come and to be able to forecast this point would be a most desirable accomplishment.

Never before did a situation exist which could be compared to the present one. Never did the American public have twenty billion dollars' worth of marketable securities worth not far from cost, and available as collateral on which to borrow for speculative purposes. And this forms an element which makes the future most difficult to judge because, as we have often pointed out, the public is stronger than any group of men who might undertake to control prices.

Not only is the public strong in buying power, but it is weak in knowledge of the security markets; that is why one hesitates to say when the present buying fever will run its course.

My reason for writing this is that I have recently observed some of the earmarks of the culminating point. I do not say that this has been reached, but I wish to point out a few symptoms which in the past have guided me in deciding what to do with my securities and in advising others who have more or less depended upon the opinions printed in these columns.

Character of Buying and Selling

First, I will say that experienced judges of the market lay great stress upon the character of the buying or selling. If the buying be by large interests, and the selling by the public, a strong technical position and higher prices are indicated. If the reverse be true, we generally look for lower prices. No one will dispute the fact that the public has been a large and increasing factor on the buying side of this market, but this does not mean that the top has been reached, because the same thing was true some weeks ago.

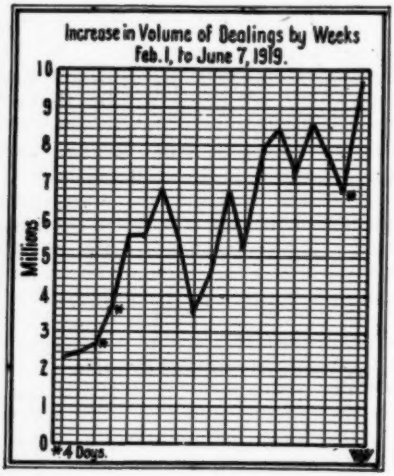
Transactions have increased since February 1st from around 2,300,000 shares to 9,700,000 shares for the first week of June, as shown by the accompanying graph. But it may be that these totals will double, then double again—no one can tell.

On the other hand, there has been plenty of evidence that large interests were sellers, not necessarily at the highest prices, but in some cases long ago, and far below the present level. All of which proves that even the largest operators make mistakes in udgment. In fact, they often make mistakes similar to those of the small traders, only it runs into more money.

The action of the stock market is primarily based upon supply and demand. There may be others who will tell you that it is based on the hills and valleys indicated on graphs, built on money, crop, industrial and other statistics, and laboriously worked out by algebraic and other means. I hold no brief either for or against those who are able to extract a profit from such operations, but for my own part I would much rather know the character of the buying and selling, as indicated by the action of prices. I have found this of very practical value and an eminently profitable method of judging the future course of the market.

Much emphasis should therefore be laid on the present (June 11th) tendency of the market to not only hesi-

tate but to react sharply and in an entirely different manner from anything we have ever seen since the advance started from the low levels of February. These indications were preceded by what are generally known among students of security market action, as "spectacular advances" wherein the market gets "out of line on the up side." This expression may be explained by saying that the market as a whole (based on average of a sufficient number of stocks, say the fifty that are ordinarily used for such purposes), generally accomplishes an advance in an orderly fashion. The



average daily gain of the combined group usually amounts to only a fraction of a point, because while some issues run up several points, others advance very little, and still others decline, this keeps the average prices more or less steady in their upward tendency.

But within the past week or two, there have been some rather startling deviations from the above, due to the public becoming unduly excited and placing orders to buy at the market in so urgent a fashion that the sudden onslaught of buying orders far outstripped the offerings which were on the floor at the time. So there were a number of days in which numerous stocks advanced ten or fifteen points in a single session without any more explanation than above stated.

These occurrences indicate an overbought market, and an overbought market usually marks a turning point for the time being at least.

Supply versus Demand

The excess of demand over supply, as evidenced in the security markets, may well be illustrated by the arrow which is shot upward at an angle of 45°. The lifting power behind that arrow depends upon the strength of the bow and the string, and the distance which the latter is drawn backwards from the bow. The greatest amount of force is present at the moment the arrow is released. From that time it travels in an upward direction, gradually losing its impetus until it begins to travel very slowly, then gradually drops in its angle of flight to 40°, 30°, and 20°. Finally, the weight at the tip of the arrow brings it to a horizontal position for the fraction of a second, and from that time onward the downward angle changes until it is in a vertical position pointing toward the ground.

Public buying has carried this market up a similar angle and now the question is whether the buying force which has lifted prices to their present level is sufficiently spent so as to be unable to withstand the volume of realizing and short-selling, which, like the arrow, will reverse its position to either a reactionary or a downward trend.

It has already been seen that these spectacular advances were followed by sharp reactions and many an individual, making a single unit in the great body of people known as the public, has looked aghast at declines of ten or twenty points in stocks which he thought could only travel at that rate in an upward direction.

Another earmark of a turning point is the tendency of the market to broaden. The breadth of the market is judged by the number of issues traded in. When the advance began, less than 200 issues was the daily rule, but recently as high as 346 issues have

been dealt in during a single session, which indicates that the public interests is in all kinds of securities, good, bad and indifferent. This is further proven by the advances in certain issues having little or no intrinsic value, yet these have been marked up to several times their former prices and have found buyers thereat.

A Possible High Point

There are numerous other signs, more or less familiar to those interested in the technique of the market, which make it possible, if not probable, that when the average price of fifty stocks reached 89.50 on June 6th, it recorded, in the rising tide, one of those waves which reaches a little farther up on the beach than any of its predecessors or successors. And while the man does not live who can definitely say that beyond this the market will not go, I believe we have now reached the point where a large part of the securities which we have bought for profit should be turned into cash.

Whether prices continue to advance or not, is something which, in the majority of cases, we can now afford to ignore. Rothschild said he made his money by "never buying at the bottom or selling at the top," and his example is a rather good one to follow. Not because I am bearish on the market, but because a bird in the hand is worth two in the bush.

If you bought Crucible Steel (a non-dividend payer) around 50 a few months ago, and you now see it not far from par, and still a non-dividend payer, you are running no risk in taking your profit. If you bought U. S. Steel as a 17% dividend payer in the 80's and you can now sell it as a 5% dividend payer around 110, you are not injuring your chances because there are always opportunities to repurchase, sooner or later. The same argument is true to a greater or lesser extent of all the securities which have risen so remarkably during the last five months.

There may be special reasons why certain securities should be held at this time and the suggestion herein applies to the market in general, more particularly to the speculative issues which in many cases have sold far above their intrinsic value.

Perhaps you will ask, "What shall I do with the money if I do realize?" There is a very good way to employ such money at present, and it consists in buying investment bonds, preferred stocks, and other sound investment securities, because they are not only selling at prices which return yields so liberal that I doubt if these will be equalled within the next ten years, but for the further reason that the long upswing in bonds and other investment securities has rather unmistakably begun, as illustrated in an article in our issue of June 7, 1919.

Such securities, if bought at present prices, will not only assure safety of the principal and profits which you thus realize by selling your speculative holdings, but they afford an opportunity to increase the principal which you now invest through the enhancement in value of all investment securities which movement should be a feature of the next few years.

If at any time during this interval bargain days again appear, your high grade investments can quickly be converted into cash or used as collateral to repeat the operations which you have successfully conducted up to this time.

NOTE: Since the above was written, the market has reacted (up to the time of going to press) about one-third of the advance from February 1st to June 6th. There are no indications that we are in a bear market, but ample evidence that this is a reaction in a bull market. The outlook, therefore, depends upon the character of the re-accumulation when and if it takes place on this reaction. In any event, there should be a recovery from the present decline.

Woman's Sphere In Investments

By VICTOR DE VILLIERS

Sixth Article in the Series "Financial Independence at 50"—Suggestions for Group Investments Covering All Classes—Can the Woman Become An Independent Investor?—Her Chances Discussed

CONSIDERING the vital part the woman has in upholding the national financial structure, her sphere in it is deserving of greater consideration than has been accorded hitherto by economists and writers on financial matters. Her important position in every branch of the investment field by actual ownership of securities in our leading corporations like the American Telephone Company and the Pennsylvania System, and others, which might almost be said to be under feminine control; and more important still, her share in upholding our national credit through her billions of dollars saved and invested in Government bonds, entitles the woman and her investments to the strongest claim for investment recognition.

Easy to Save: Hard to Conserve

The first point that strikes the author is not the problem "How to Save?" This is really not a problem but an effort, mainly of will and determination, and each must work out her own plans to arrive at results. As a nation we have saved something like twenty billions in about four years by turning over some of our surplus to the Government in exchange for bonds, and the twenty million odd investors will testify that saving is *relatively* easy. It is difficult to spend wisely, and a real problem to conserve.

In the case of the woman the difficulty to conserve funds is accentuated largely through misconception of the facts, and a general misapprehension of the truth. The beliefs of women—or rather their misbeliefs—are largely conventional rather than actual; too many misconceptions are accepted as facts, and old erroneous suppositions are taken for granted in the absence of inquiry.

The theory that women cannot invest or learn investment, or become good investors, is one of those hoary old conventional lies that has no foundation in fact, and will not bear up-to-date dissection.

Woman's part in the great war has proven her adaptibility to take man's place in many ardous vocations and occupations, and she has acquitted herself creditably, to the great surprise only of those who theorize rather than think deeply.

Conventional Surprises

War, the leveller of rank, caste, and sex, and the great battering ram of all illusions, delusions and old-line conventions, has proven still more conclusively that woman can do almost anything she makes up her mind to do. There is no reason why she should not enter the investment field with the same spirit that she even tackled the problem of speeding the output of big guns. There is no reason why she should not put behind her forever some of the mistakes of the past in her investment-welfare, due to (a) timidity in asking questions: (b) reliance on the judgment of others: (c) substitution of a too volatile imagination for natural caution: and (d) the supposition that investment is entirely man's province.

The graphs that have appeared in former chapters of this series show that the average man is no better off at the age of sixty than the average woman. Numerically, he makes as many mistakes as his "weaker" sister. He is only superior in his mistakes by their variety, due to his ability to get around more, and absorb a larger quantity of exclusive misinformation.

At the end of the journey, around his sixtieth year, as our graphs show, he has about reached the same state of dependence or independence as the average woman, but he has accomplished his goal by freer movement,

more energy, and a good deal more lost motion.

The writer refuses to profess surprise at what woman has accomplished in the past four years, and sincerely believes that she has the same, if not a better chance than man in the investment field of the present and future. Her patience and intuition are usually superior to those of her male "rival" and these are commercial virtues of a high and valuable order in the investment field.

While it is true that woman is hypersensitive towards the emotions of hope and fear, sensations which largely govern the market, men are also heavy losers when they fail to keep these emotions under proper control. There is no reason that the writer knows of why women cannot train their emotions if they start early enough and try hard enough later in life, and ultimately give themselves the same advantage as men are commonly supposed to possess by temperament.

Man's Superiority?

If any group of male investors or operators in the market were to be investigated it would be found that only those who had made a special study of all conditions had succeeded *ultimately*. It is well known that all those who enter the investment arena with large expectations usually retire disappointed, and *per contra,* those whose expectations are moderate but backed by extensive study and investigation in any particular branch of the investment field, are usually successful in that field. The men who make themselves masters of their subject, who are "Specialists in Something" are nearly always more successful, and invariably better off than the "Jacks-of-all Trades" who cannot succeed at anything.

If a greater number of successful men exist in the investment field this is due to the larger number in it. The percentage of failures is, for the same reason, far higher.

The classic instances of Mrs. Hetty Green as an investor, or Miss Ida M. Tarbell as an economist, stand out in a striking way as demonstrating what can be done, and illustrating the large untilled field that awaits development.

An instance nearer home is that of Mrs. Cecilia G. Wyckoff, executive head of The Magazine of Wall Street. I need hardly enlarge upon the directing genius required to fill so big a job or the preparation needed to shape its destinies. The Magazine is, in a way, a monument to woman's accomplishments, and its success as the biggest financial publication in the country (if I may give away a secret) is in a great measure due to a woman's ideals of service.

It is to be doubted whether the man will continue to hold his superior position towards investments if the woman will but do herself the justice that awaits her for the asking.

There is no doubt in my mind that the woman of average education can easily learn the exact difference between a high-grade preferred stock, a bond, or a share of common stock. A woman of higher education should have no difficulty in mastering the more complex distinctions in types of securities. There is, however, no excuse for the general ignorance that exists as to the difference between an acknowledged high-grade security and a worthless new promotion. Any woman may readily learn to distinguish these by a little study and perhaps some inquiry. Many books on financial subjects are written in simple style for the beginner, and the earnest woman-student who will investigate the fascinating study of finance and investments will have no difficulty in being correctly directed through the medium of the Book Department of The Magazine of Wall Street, or by seeking the advice of her own banker.

The Banker's Part

The banker with greater foresight than the average business man has seen the early entrance of woman into the investment field and in most instances has welcomed her into the fold. Few large banking institutions have failed to provide a woman's department, in some cases presided over by lady-managers. Financial libraries are already being placed in these departments for lady-customers' use. A large number

of the smaller institutions are following the lead, and are commencing to equip their institutions with the same conveniences.

The banks are doing all in their power to help the newer battalions of women-investors over the slippery ground, and the women can do their part by showing, not only their appreciation but good sense, in making the fullest use of these facilities. Instances of a banker's advice to women being unsound are few, and any woman with money to invest but unable to shift for herself should go to her banker for advice. She should, however, by careful study learn some of the broad principles underlying investments, even if she has neither the time nor inclination to study the subject exhaustively. By doing this she will not only be cooperating, but actually helping herself to attain financial independence in the fullest sense.

While it is almost impossible to suit the needs of every person on the ready-reckoner principle, the author has attempted to offer some first-aid suggestions in the tables that accompany this article. The classification should be regarded as *suggestions* of a *first-aid* character only. Lists of good bonds are contained in the "Bond Buyer's Guide" in every second issue of this publication; desirable arrangements of preferred and common stocks often appear in it; and when a selection is made, the woman-investor should— unless entirely capable of managing her own affairs—submit her choice to her banker, broker, or The Magazine of Wall Street for final approval.

It might be explained that the various groups have been classified according to the *average* risk or liability that can be assumed by the *average* type of woman investor in various circumstances. It will be observed that as the degree of dependency becomes greater the author has chosen a stronger and narrower list so that, for example the dependent woman is not obliged to accept even a minimum of risk.

A substantial initial investment in annuities is a splendid old-age protection that will compensate for any possible shortcomings that will occur in any investment list, and give scope for employing surplus income in fortifying this form of investment insurance.

WOMAN'S SPHERE IN INVESTMENTS

Suggested Distribution of Investment Funds

Group 1—The Wealthy Woman

	% of Income and resources
*Mortgages	20
Annuities	5
High-Grade Bonds	15
Medium-Grade Bonds	15
Preferred Stocks	25
Common Stocks	20

Group 2—The Woman in Comfortable Circumstances

	% of Income and resources
Mortgages	10
Annuities	5
High-Grade Bonds	20
Medium-Grade Bonds	20
High-Grade Preferred Stocks	20
Medium-Grade Preferred Stocks	10
Common Stocks	15

Group 3—The Woman in Moderate Circumstances

	% of Income and resources
Mortgages	5
Annuities	5
High-Grade Bonds	30
Medium-Grade Bonds	25
High-Grade Preferred Stocks	25
High-Grade Common Stocks	10

Group 4—The Dependent Woman

	% of Income and resources
Mortgages	10
Annuities	5
High-Grade Bonds	45
High-Grade Preferred Stocks	40

*Average yields—Mortgages, 5½%; High-grade bonds, 5-5½%; Medium-grade bonds, 5½-6½%; High-grade preferred stocks, 6-6½%; Medium-grade preferred stocks, 6½-7%; Common stocks, 7-8%; after deduction of expenses such as commission, stamps, loss of interest in exchanging securities, and other unforseen delays. See Text.

The Financial Management of Your Business

Article No. 3—Acceptances as an Aid to Capital and Surplus

By PARK MATHEWSON, Author of "Acceptances and How to Use Them," "Why Acceptances Aren't Accepted," "The Banker and Acceptances," etc.

This exceedingly interesting and practical article shows lucidly how the business house which uses acceptances can, if desired, greatly increase its use of credit compared with the amount of credit it could obtain on the old-fashioned plan of handling its business. A knowledge of these new methods is essential to every wideawake business man.—*Editor.*

CREDIT men freely admit that where they can get trade acceptances to close accounts receivable, it assists them materially in the promptness and ease of their collections and, therefore, in the liquidity of their accounts receivable available for working capital. Buyers also agree that where they are in the habit of paying cash (by borrowing the money or otherwise), if a seller will take payment by acceptance, either bankers or trade, it increases the buyer's line of credit and practically his working capital by that amount.

Admitting the foregoing, there is still another use for acceptances which should have a much greater effect in furnishing additional working capital for a seller and, to a like amount, relieving or acting as a substitute for his cash capital or surplus accounts. This is secured by a seller through obtaining acceptances (banker's or trade) from his customers to whom he sells on credit, and arranging for their discount, up to 100% of their total amount, through his own or other banks, discount houses or in the open discount market.

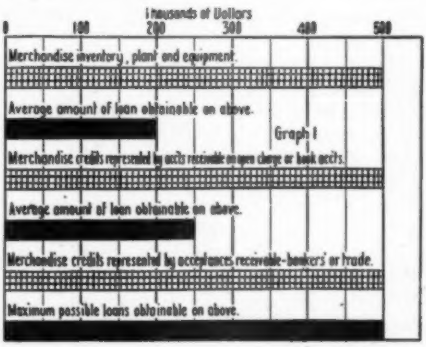
The most successful methods of procedure and the results to be obtained thereby will be outlined in the following article, which will illustrate how the successful use of the acceptance is a valuable adjunct to working capital and cash surplus.

The value to the seller of accounts receivable or acceptances receivable, as a basis of borrowing, will be considered entirely separately from his borrowing capacity on inventory or fixed capital, which would remain the same no matter by what method the receivables were carried.

Therefore, in this article, we shall consider only the relative benefit to capital to be derived by carrying the same class of credit sales on "acceptances receivable" rather than "accounts receivable," and we shall not aim to cover other reasons for or against this method of granting or accepting credits.

Lending on Accounts Receivable

Bankers and others versed in finances are fully aware that the item in a firm's state-



ment, designated "accounts receivable" conveys only an indefinite impression of actual value upon which the lender can base his judgment for loans. It is very necessary that he also make a careful study of the methods of the firm whose statement he is examining, as to its granting of credit and making collections thereon, and also to ascertain the class of customers with whom it deals and their ways of dealing. He should know whether it ever consigns or has branch or semi-con-

nected houses represented in these accounts receivable. If loaning regularly it is equally necessary for the lender to keep posted and up-to-date upon all these conditions, so that he may be sure that the customers or the methods of the firm in handling such accounts have not changed.

For the foregoing and other reasons, a banker, or one loaning money on accounts receivable, rather than seem unduly inquisitive or rather than be obliged to spend too much time on the examination and rechecking of these accounts, leaves a very large margin of safety in making loans on such receivables; experience shows the common basis to be about $2 in accounts receivable to $1 in loans against same. It is obvious that this results in the tying-up of much of the working capital of the seller in his bank accounts, on which he cannot usually realize more than 50% loans. He might go to one of the houses that discount such accounts through hypothecation but in such cases it is found that aside from ethical reasons, it exacts an extra amount of clerical work. In addition, borrowing costs are largely in excess of the usual rates (and of what a firm can generally afford to pay) and almost prohibitive for the use of such capital tied up in accounts receivable.

Firms that are reasonably well-known and have established such a line of connection, have found it possible to sell their single-name notes to brokers, who distribute them throughout the country with their clients. After such a method has been built up, it usually works to advantage, and a larger percentage of loans can often be obtained than is ordinarily feasible, although the assets in comparison to such liabilities are carefully scanned and must be ample. Loans of probably not over two-thirds of such receivables would usually be available under this plan.

Discounting Acceptances

We will now examine the status of the acceptance, the evident intention of the Federal Reserve law, and the rulings of the Federal Reserve Board defining its scope and limitations. The original ruling on trade acceptance by the Board states that it is two-name paper of a class which has been found desirable in merchandise transactions in other countries and for investment, and that the Board is prepared to sanction a re-discount rate somewhat lower than on other commercial paper. The trade acceptance, therefore, as well as the bankers' acceptance, has a standing with the bankers, and through them, with the Federal Reserve Banks for re-discount, which makes it a liquid reserve for financial institutions and, consequently, one which is naturally sought after, where the standing of the names on paper is satisfactory. In Europe this is much sought after by investors in short term paper.

The Federal Reserve rulings and law thereon also make it plain that banks may loan a practically unlimited amount, in their discretion, on acceptances which are so dated as to be eligible for re-discount with the Reserve Banks, and which are made in such form as to warrant the Banks in loaning to a satisfactory client up to 100% of his good acceptances.

This is particularly feasible for the reason that it does not conflict with that section of the Federal Reserve and Banking laws which prohibits loaning over 10% of the capital and surplus of a financial institution on one borrower's paper. As the Federal Reserve Board considers a trade acceptance or bank acceptance as a primary obligation of the acceptor and not of the maker or seller, this rule does not apply to discount of acceptances from various acceptors. Therefore, where the seller presents a large line of acceptances from different customers, even though the amount should be in excess of 10% of the capital and surplus of the financial institution from which he seeks the loan, since these are the obligations primarily of the acceptor and not of the borrower, the bank may discount them, if satisfied to do so, and re-discount them with the Federal Reserve Bank without conflicting with this limiting statute.

Therefore, considered from this angle, it will be seen that where a firm has a satisfactory standing with the bank, or where its acceptances from its customers are of a class satisfactory to the bank, there is no reason why the bank should not discount all such acceptances which the firm offers to it and which it is in a position to use. If a firm's particular bank is not in a position to discount such acceptances it is, under present conditions and with a good class of

acceptances, possible to negotiate them with other banks or, to a certain extent at this time, sell them in the open discount market, or theoretically, at least, direct to the Federal Reserve Banks.

It would be well, as a word of caution, to say that as yet the American open discount market is not old enough or broad enough to absorb acceptances in the same routine manner and to as large an extent as is the case in Great Britain, France, Germany and other countries where the acceptance plans have been in use for so long and where, therefore, is found a free and practically unlimited market for the discount of acceptances, usually at very satisfactory rates.

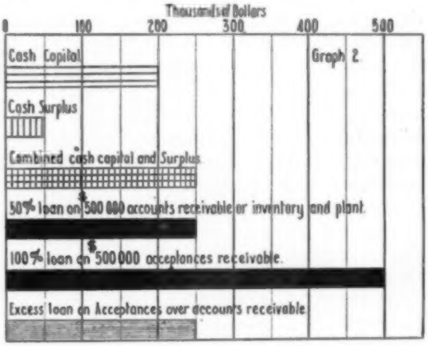
In this country, except for acceptances of a well-known firm or for sale with the endorsement of a well-known borrower, it is not now feasible to discount unlimited amounts of acceptances in the open market, especially where the amount of the acceptance is small or the names thereon are obscure. This, probably, will also be found to be the case in selling them in other discount channels where the borrower is not connected as a depositor or is not regularly doing business.

Except in special cases these limitations usually do not seriously affect a borrower, and hence it is evident that in carrying his receivables, either in bankers' acceptances (if he can obtain those from his buyers), or the more usual trade acceptance of commerce (which any representative buyer should be willing to give where he is desirous of getting credit on the goods purchased), any firm having itself a good standing with loaning institutions, or having customers whose names will be of assistance, would be in a position to discount 100% of its acceptances receivable, and in this way greatly increase its working capital.

An Illustration

Possibly one of the most striking illustrations of the tying up of receivables and the necessity of carrying a very large cash surplus is illustrated in the automobile business. Although automobile credits are usually short, and in fact in the past sales have often been strictly for cash on delivery or sometimes cash in advance, yet where actual credit conditions have existed and automobiles have been sold on credit by the manufacturer to the distributor and thence to the user, it has tied up an immense amount of capital. This credit has even been extended by the dealer in selling his automobile passenger cars or trucks on the installment plan of payment.

Various plans have been resorted to for liquifying these credits, such as taking and selling notes, or borrowing on the accounts receivable. A movement has been gaining force, for the last two years or more, to carry the automobile credits on acceptances and discount them with the banks, the general discount companies or with companies especially organized for the purpose of discounting automobile credits. Hundreds of millions of dollars have been handled in this way with very satisfactory results, not only to the companies lending the money, but to the borrowers, and it is said that this plan has affected the general borrowing capacity of these sellers so favorably that the banks are now giving them more gen-



erous accommodations than was their wont in the past.

Some of the largest automobile companies have used this acceptance discount method and at least one of the giants of the industry has organized its own company for discounting automobile credits and acceptances. This company is the General Motors Acceptance Corporation, subsidiary of the General Motors Corporation, which purposes to handle its own credits and discounts along these lines and may, possibly, negotiate similar paper of other affiliated interests or even outside interests.

Therefore, we may fairly grant that the trend is towards using the Federal Reserve

law and the facilities of the Federal Reserve Banks and general banking interests of the country in liquifying the general credit sales of the manufacturers and merchants of the country through the available acceptances that they take in place of their open book accounts.

It is believed that business men in a position entitling them to ask and receive bankers' or trade acceptances from their credit customers (where such acceptances stand well with the bankers, on account of satisfactory name of acceptor or drawer) will find great benefit to their liquid working capital in getting and freely discounting the acceptances.

Increased Borrowing Power

For instance, where a manufacturer of good standing might have an inventory and plant value of $500,000, on which he could borrow $200,000 or more, while at the same time he had "accounts receivable," of a nature satisfactory to the loaning institution, he might again borrow $250,000 on the $500,000 of his accounts receivable. Now should this same manufacturer have the same assets in inventory and plant, he could equally well borrow the $200,000 or more thereon, while if he had his credit sales amounting to $500,000 in "acceptances receivable," bankers' or trade, and they were satisfactory to the loaners, there is no reason why he should not borrow up to the full $500,000 of acceptances receivable. In this way he would be increasing his working capital $250,000 if he so desired.

By the discount of all his acceptances, he assumes little extra liability, if his credit risks were such that it could be reasonably expected that the acceptances for goods would be paid by the acceptors when they came due. This plan not only increases his working capital but also gives him capital in hand or in bank, reducing the necessity of carrying a large cash surplus account, which later may become unwieldy in seasons when business is not large, or insufficient when business is extraordinarily extended. Incidentally an advantage of the acceptance method of financing turnover is that large sums are available where the turnover is large, while no more than the necessary amount need be borrowed in that case; and when the turnover is small, large loans from receivables should not be carried. This, therefore, not only works for availability of cash, but for handling it in an economical as well as an economic manner.

The accompanying charts will illustrate graphically the difference in the available capital and the need of a smaller cash surplus through having "accounts receivable" displaced by "acceptances receivable," either bankers' or trade.

Graph No. 1 shows that a ratio of two to one in loans is obtainable on acceptances as compared with other assets. Graph No. 2 shows that the loan obtainable on $500,000 of outstanding acceptances receivable would equal the loan obtainable on $1,000,000 of accounts receivable, or inventory and plant, and would furnish a maximum excess in loans equal to a cash capital and surplus of $250,000.

J. P. MORGAN DISCUSSES PLAN FOR RESUMPTION OF NORMAL INDUSTRIAL ACTIVITIES IN EUROPE

IN a recent discussion of conditions in Europe, Mr. J. P. Morgan sounded the keynote of an industrial movement that, in its farflung influence, should be of keen interest to every business man in the United States, owing to this country's position as world leader.

Mr. Morgan stated, in effect, "American money must be poured into Europe until normal production has been restored there, thus protecting and guaranteeing a European market for American goods."

A movement for this purpose already is under way, it being proposed at present to organize a gigantic corporation which, in cooperation with the Federal Government, will furnish raw materials and credit to European industries.

Leading Opinions

About Financial, Investment, Banking and Business Conditions

Redfield Optimistic On Reconstruction

Secretary of Commerce Redfield expressed his confidence in the successful working out of American reconstruction in an address delivered before the Advertising Club of Cleveland, O. He pointed out that the American manufacturer had different problems to face than the French or Belgian, since with him it was not a matter of equipment so much as of sound business ideas and ideals. He expressed the opinion that capital and labor would co-operate to their mutual benefit, and said that he did not believe any attempt would be made to force down the wage-scale which labor had obtained during the war. There is little chance for Bolshevist ideas to succeed in this country—people are too prosperous here, and the so-called "capitalist class" has been extended through the Liberty Loan campaigns until it includes most of the working people. He said in part:

"Months ago it was said in this country that with us reconstruction was a state of mind, and now that we are in the second half of the year since the armistice and are coming near to a peace we see that this is very largely true. We have not the physical problems of France and Belgium. Our buildings and our equipment are intact. Our organizations have rather been enlarged than destroyed. Some of our factories, indeed, find themselves, for reasons arising from the war, with productive capacity greater than is now convenient; but even in these cases men look hopefully to the time in the near future when trade—both domestic and foreign—will absorb their output. We have had to provide for the coming home of our troops, but after all that process has gone on rapidly, quietly, and with but little disturbance, and to-day the amount of unemployment in the land is not serious and is undoubtedly growing less. On every side one notices the gradual picking up, as we call it, of commerce. Retail trade is good. The stock market is enthusiastic. The men of finance speak cheerfully. All bodes well for the United States. Our rearrangement, our readjustment, is drawing to the close of its first stage. If the progress continues for a few months more, litttle in our industrial and commercial structure will show that within a year it was substantially all concentrated on the dreadful task of war.

"Over in Russia we have seen the reaction from absolutism to Bolshevism—each an extreme, each of danger. One of my associates has said that Bolshevism is anarchy of mind based upon an empty stomach, and in this form it has appeared in Germany and elsewhere. I suspect there is much force in the belief that a square meal and a good suit of clothes are practical remedies for Bolshevism and that employment at good wages completes the conversion."

"Europe Must Work"—Hoover

A protest against the rôle which the United States has assumed as a sort of Dutch uncle to all the nations of Europe was voiced by Herbert C. Hoover, chairman of the Inter-Allied Food Commission, in an interview given to an Associated Press correspondent. Mr. Hoover insisted that Europe must get to work, and not depend any longer on assistance from the United States. He characterized the existing economic and financial situation in Europe as a "sort of economic delirium tremens," which, he predicted, would end with the establishment of peace. He also said that if an adequate system of credits and financing were established, Europe would be on its feet again

N. Y. *Tribune*

THERE'D BE PLENTY FOR EVERYBODY IF THEY'D GIVE THE SEEDS TIME

within a year. Among other things he told the interviewer:

"Any statement is premised upon peace and the return of Europe to work. I do not take it we will finance any more wars in Europe, directly or indirectly, or that we will provide money to enable the people of Europe to live without work, or to work part time, as at present all over Europe.

"This sort of economic delirium tremens will end with peace.

"The amount of credits from the United States to Europe during the year of peace revolves around the inability of the nations to pay for raw material, machinery and tools, food, currency reorganization and interest on money borrowed from our Government.

"Altogether, the dominant problem in the rehabilitation of Europe is one wholly of credits with which to buy overseas, and if such financing can be provided Europe should be on a self-supporting basis within another year.

"I feel that something like half a billion dollars' assistance from the American Government may be needed to join with the other Allies in reorganizing the currencies of the new States, and to take care of some particularly acute and otherwise unsolvable situation.

"On the other hand, much larger sums will be required from private credit for raw material and food. In order to secure these private credits to governments, and especially to individuals, our Government would probably need to consider measures of encouragement. The credit of private individuals and firms of even the most wrecked States of Europe is still worth something. What is needed is to reestablish confidence in them."

Schwab Believes In South America

At a session of the Pan-American Commercial Conference, Charles M. Schwab said that

N. Y. *World*

PRESENTING THE BILL

he was sinking everything he had, his fortune, reputation, and his company, in the future of South America, because of his great confidence in it. He told of his shipping plans for the coast of Chile, where he has installed the largest docks and shipping facilities in South America. Talking about equality of opportunity in industry, Mr. Schwab illustrated his attitude by saying that he favored prohibition only on one condition, that all be treated alike, not that rich men be permitted to have large cellars of drinkables while those who could not afford to accumulate large supplies were left dry. He said in part:

"We must depend upon our friends in South America for the raw materials to make the East the successful steel manufacturing center of the United States, and so much confidence have I and my company in the honorable intentions and treatment of. American capital that I am risking my all—my fortune, my reputation, my company—upon the basis of securing the raw supplies of ore and other materials from our South American republics.

"I have recently, as many of you know, opened at very great expense in Chile, on the west coast of South America, the largest docks and shipping facilities in South America. I have now under construction and under way twenty of the largest cargo ships that have ever been built, to carry 20,000 tons of iron ore in each cargo, to ply between the west coast of South America and the eastern ports of the United States.

"We here are just as anxious, and more anxious, perhaps, for your complete co-operation as you may be anxious for our co-operation. We realize that mutual fairness must prevail for the successful outcome of this business. I have never had any but the pleasantest, the most straightforward and the happiest outcome to all the business that I have ever done in South America with our friends in the south, and I am not afraid to risk anything that may develop in that line in the future.

"I don't believe in prohibition that will enable me or Mr. Vanderlip or other rich men of the country to store their cellars with wines and whiskeys for the rest of their lives while ordinary people, who haven't the money, do without them. I believe in fair play for all. If we are going to have something to drink, let's all have it. If we are not, let's all be without it. I don't care which it is, but let us be consistent."

"Europe on Knife Edge"—Vanderlip

At the same session of the Pan-American Commercial Conference, Frank A. Vanderlip, retiring president of the National City Bank, repeated the views which he had expressed some weeks before as to the industrial and financial perils confronting Europe. He said that Europe could be saved, but only by helping it restart its own industries, and that it was largely up to the United States to give its assistance. Government loans were not an effective means of giving the required aid, he declared. It was preferable to create European governmental securities that would constitute a first lien on the customs income of the nations borrowing from us. In his speech he said:

"The situation in Europe is more serious than has been grasped on this continent, more serious indeed than has been grasped by a good many Europeans as yet. Superficially, you would see something like a normal Europe if you had been over the ground that I have—London, living its great luxurious life as usual; Paris, much the same. You might well be

excused after seeing Europe if you still held the belief which I think most people do hold in the United States that the war is over, that, of course, it has been a great blow, that there has been a sad devastation, but that it is over, and with the signing of peace Europe will pretty rapidly tend back toward the normal, that there is a great industrial, skillful people, that there are great territories quite unharmed by the war, that the hurt of the war after all is comparatively small, and that all that is needed is a little time to bring Europe back to pretty nearly its pre-war conditions. You in South America expect to be trading with Europe, to carry on financial and banking operations with Europe much as before.

"Now that picture is not true. Europe has received such a shock from the war as has not been measured by those who have seen it at close range, but it is not that direct shock that concerns me nearly as much as a greater hurt, the hurt of disorder, industrially, over that continent, a disorder so great that industry is in a large measure paralyzed. Men in great numbers are idle.

"Now don't understand me as predicting a conflagration in Europe. I don't believe there is to be such a conflagration, but I believe Europe is balancing on a knife edge.

"There is no need of giving in charity. Europe can't be supported in charity. That is not the way to do it. Neither would I have governments further loan to governments. I have discovered this, that a loan by a government to another government comes to be regarded in rather a different light from that in which obligations are usually regarded. At least the loans of this government to the European governments have so come to be regarded.

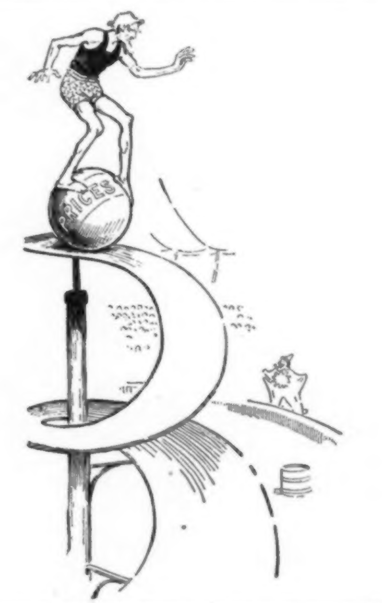
"There is a pretty general idea, a surprisingly general idea, that we ought to forego the loans that we have granted in this war. I would not add to these, I would not add to the question that will hang around those loans in the future. I believe a security can be created that will be good because it should be a first mortgage upon the customs of the borrowing nations."

"Roads Are Deteriorating"—Sisson

Immediate action by Congress to provide for the physical repair and maintenance of the railroads was urged by Francis H. Sisson, vice-president of the Guaranty Trust Co., in an interview. Unless this were done soon, he said, there was grave danger of a transportation breakdown because of the exceptionally heavy strain to which the railroads had been put since 1916 without adequate provision for their upkeep. He declared that it was up to the Government to see to it that the roads were kept in the best condition possible, asserting that it was only fair to the railroads that they should not be made to suffer through the Government's use of their facilities as part of its program for winning the war. In part he said:

"Unprecedentedly severe wear and tear on the physical properties of the roads in 1916, 1917 and 1918, as a result of extraordinary uses of the roads for war purposes, make repair of the trackage and other elementary betterments absolutely essential. Railway executives have stated that their roads are in an extremely deteriorated condition. Unless orders to remedy this are promptly placed the roads will be unable to meet the demands of business for the transportation of freight and passengers.

"The purchase of material needed to keep the roads running at top notch cannot be too long postponed without a breakdown in transportation.



Life

"STEADY! STEADY! COMING DOWN!"

"The suggestion made to-day that it is the policy of the railroad administration to make no improvements on railroad properties unless the railroads undertake to finance them, except in cases of absolute necessity, seemes to me to be fraught with danger and a great mistake from the standpoint of the public interest in safe and efficient transportation. Such criticisms as has been made of the administration for what has been done along this line spring either from ignorance or prejudice. It is of the highest importance that the roads be adequately maintained in order that the ends of the commerce of the country be served.

"Of course, the railroads, under the law, are to be returned to their owners in approximately the same condition as when they were taken over."

Warburg Warns Against Inflation

A warning against the dangers of a deceptive prosperity based on inflation was sounded by Paul M. Warburg, former vice-governor of the Federal Reserve Board, in an address before the National Association of Credit Men. He also dwelt upon the necessity of absorbing the Government war paper and bonds held by banks and trust companies into the savings of the people, and suggested that for this purpose the Federal Reserve bank rates for loans secured by Government bonds be raised until they approached the ruling rates for commercial paper. Acceptances, he predicted, would become the main investment and rediscount

Colliers

UNHITCHING THE HORSE HASN'T MADE MUCH DIFFERENCE

field for Federal Reserve banks, whose demand would keep them at favorable rates. He said in part:

"We know that war prosperity usually ends in a crash; shall we be able to avoid it? If we wish to we must beware of booms based on a fake prosperity which has its roots in inflated credits and prices. It is an ungrateful and it presents an almost superhuman task to stop the easy flow from our credit reservoirs that created the enlarged foundation for our growing credit pyramid.

"It has now become the country's very serious duty to liquidate as rapidly as possible the war paper and holdings of government bonds in the hands of banks and trust companies. This item, representing undigested government bonds amounting, it is estimated to more than $4,000,000,000, competitor in Great Britain," he said. "She natstitutes one of the fundamental causes of banking inflation. In order to promote their absorption by the savings of the people and in order to encourage thrift, if not by compelling borrowers, if necessary, to reduce their loans, Federal Reserve bank rates for loans secured by government bonds in due course will have to be increased. They would have to approach more closely the governing rates for commercial paper, while rates for bankers' acceptances should be held at a rate sufficiently lower to provide for an ample margin in their favor against single name paper. And between these two rates the trade acceptance should find its proper level.

"As this process of absorption takes place, and as the government reduces the volume of outstanding certificates of indebtedness, acceptances may be expected to reoccupy their proper position as the most available and safest pass-key to the facilities of the Federal Reserve banks. Ultimately acceptances are bound to become the main investment and rediscount field for Federal Reserve banks, and this demand alone will create a large market for them at favorable rates.

"It may take a year or two before the course here contemplated will gain full sway."

United Effort Needed, Says T. E. Wilson

A united effort on the part of all sections and classes of the country, said Thomas E. Wilson, president of the packing firm of Wilson & Co., is needed to meet the great demands of Europe for the next few years. There is an absolute famine of fats and live stock in Central Europe, he said, and a very serious shortage in the Allied countries. He emphasized the fact that it is of the utmost importance for us to keep our eyes on Great Britain as an industrial and commercial competitor of ours, but that we should try to so conduct our competition that it should not arouse any antagonism like that felt for Germany even before the war. In an interview he is quoted as saying in part:

"We must not lose sight of the fact that the industry of America has a worthy competitor in Great Britain. She naturally, and I might say justly, watches our every move with a jealous eye, and is ready to take any fair advantage to herself or her colonies. Too much ammunition has already been furnished her, unfortunately, by some of our Government agencies, which, owing to the temperament of the British people, are accepted at their face value, and are used to our disadvantage in the English markets.

"In this respect I think President Wilson's message, which I read as I was leaving Europe, most appropriate. Particularly commendable are his words: 'Government should make it easy for American merchants to go where they will be welcomed as friends rather than as dreaded antagonists.'

How to Read a Circular

By GEORGE E. BARRETT

Continuation of Chap. VI is the Series "How to Invest" —Trustee, Registrar and Transfer Agent—Important Matters for the Investor to Consider

THE circular should give the name of the trustee in the case of a bond, or the registrar and transfer agent in the case of a stock.

Where hundreds of thousands of persons own relatively small parts of a bond issue, they obviously cannot, even if they wish, constantly scrutinize the affairs of the company to see that it is living up to its agreements. Thus it is necessary that some one represent the interests of the bondholders. This third party to the transaction is the trustee. The trustee of a bond is usually a Trust Company which is a certain form of banking institution, authorized by law to act as trustee. Sometimes an individual is named as trustee, and sometimes an individual in conjunction with a Trust Company.

The legal document, known as the indenture, sets forth the obligation of the Corporation, the rights of the security holders and the duties of the Trustee. The trustee is designated by the corporation and as set forth in the indenture is charged with enforcing the obligations contained in the indenture for the benefit of the holders of all of the bonds issued thereunder. The trustee sees that only the actual amount of bonds authorized are issued and that the certificates are in proper form. A bond must bear the signature of a trustee certifying that the security is authentic. This is to avoid fraud. The trustee acts for the bond holders in protecting their rights, under the indenture. A trust company or the corporation acting as a trustee is generally preferable to an individual in that a corporation cannot die.

The registrar in the case of stocks is also usually a trust company or other banking institution. The registrar signs all stock certificates and merely certifies that they are authentic and a part of the issue which they purport to be. The purpose of the registrar is to prevent the over-issue of stock, that is, to see that more stock is not outstanding than authorized in legal manner by the stockholders of the corporation

The transfer agent is likewise usually a trust company or banking institution. The duty of the transfer agent is to handle the certificates turned in by holders who wish to have new certificates issued, as in the case of splitting up a certificate for 100 shares into several certificates of various amounts, or in the case of the sale of stock standing in the name of one holder to another purchaser, who wishes to have the stock transferred into his name.

Dividends are payable only to the name in which the stock stands on the books of the corporation and, therefore, stock paying dividends is usually promptly transferred to the name of the owner, so that the dividend check sent out by the organization on the regular dividend dates may be mailed directly to the address designated. Corporations may often act as their own transfer agent, but in such cases it is always important that there be a registrar for the stock to protect the holder against over-issue. Regular transfer agents, when issuing new certificates of stocks are required to send them to the registrar for certification as to their authenticity.

In connection with the transfer agent, is important to note that dividends are usually declared on one date and paid on a later date. The dividends may be declared payable to the holders of record on the 20th of the month and actually paid on the first of the following month. Sometimes as much as a month or more may intervene, but it is customary to have from

ten days to two weeks intervening between these dates, in order to give the corporation time to prepare and mail the dividend checks.

Notice of dividends declared is usually published in the papers to enable new purchasers of stocks to have the certificates transferred so that their names will appear on the books on that date used, as a basis for the payment of the dividend.

If a purchaser of stock should neglect to have the shares transferred into his name it is possible to call upon the person or corporation in the name of which the stock certificate stands on the books of the corporation or transfer agent and collect the dividend which may be received through this error or omission. The delay thus caused gives considerable inconvenience and it is advisable to have certificates properly transferred in the names of the holders.

Business

While it may seem unnecessary to recommend an examination of the exact character of the business in which the corporation is engaged, there can be no doubt that investors are often under a misapprehension in this respect. There is one great distinction between what is known as an operating company and a holding company, which has an important bearing upon the security. The operating company is much more easy to examine. Its bonds represent direct mortgages on the property and its stock reflects the earning power of that property and the equity above the debt. The holding company is a more modern development and has resulted from the expediency of combining many and perhaps widely separated properties under one management under the laws of a certain state. The property of the holding company consists only of the securities of other corporations. Frequently the holding company will own all the common stock of several corporations which may have preferred stock, notes and various issues of bonds outstanding. It is also often the case that the stock in turn may be owned by still another, so that it becomes quite a complicated process to determine the exact value of the securities of the parent concern.

Such corporate arrangements may be legitimate or otherwise. In some cases this method has been followed in order to make easier the issuance of considerable amounts of securities not justified by property value. In other cases it has resulted from the desire to consolidate different properties for the sake of increasing efficiency, standardizing equipment and lowering costs. The field has proved markedly successful in benefiting both the investor and the public.

It will not be attempted herein to review the different kinds of business in which corporations engage and the bearings they have upon the desirability of an investment security. The previous chapters have treated of the public, quasi public and private corporations and their various sub-divisions. Suffice to say that on the basis of the information contained under the heading "Business" in the bond circular, the investor should determine whether the corporation is engaged in such a class of business as comes within his requirements. It is not attempted to advise whether an investor should purchase municipal, railroad, public utility, or industrial securities. Millions of dollars of par value of securities have been issued by corporations engaged in all classes of business. New issues are being offered in all of these fields and it should not be difficult for the investor to find offerings suitable to his own ideas of the matter.

Property

Sometimes a bond circular describes its property in conjunction with the description of its business.

If it is a railroad corporation, it will give the miles of its roads and likewise with a street railway or interurban electric line. If it is a gas company, it may give the miles of gas mains, the number of meters, the quantity of gas produced. If an electric company it may likewise give some interesting

data along these lines. An industrial corporation may give the acres of property owned, the estimated contents of the properties of lumber, coal or other raw materials if the company is engaged in such a line of business. If a manufacturing corporation, it may give the number of plants, their size, the floor space, the number of employes.

Rarely is any information given in the description of the property of a corporation which is of any particular value judging the intrinsic worth of the security. It is generally merely illustrative of the business of the corporation. Any important data about property indicating the value of a security is generally contained in paragraphs on the security of the issue.

Territory

Sometimes in addition to paragraphs on business and property, a separate paragraph may cover the territory served by the corporation or this information may all be contained in the one paragraph.

If it is a railroad corporation, the territory served has an important bearing upon the security. It must be remembered that a railroad is dependent for freight upon what is produced in the territory served. Naturally, the more diversified the products of a territory served, the less likely are there to be wide fluctuations in the earnings of the railroad. Thus a trunk line extending from New York to Chicago may be a more desirable type of railroad than one dependent solely upon a territory raising grain which is subject to crop failure.

The territory served by public utilities is likewise important. A street railway in a city where there has always been great labor unrest, may be less desirable than in territories where the public attitude is more favorable to private ownership. Likewise, an electric light and power company serving a territory which is thoroughly diversified industrially and agriculturally is more attractive than when serving a city dependent wholly upon a mining industry. In the case of industrial corporations, it is also of importance that the products sold by these corporations should be widely distributed and not dependent upon the demand in a particular locality.

Security

The circulars invariably describe the character of the securities which are being offered. This goes into the matter in detail, which was merely suggested by the title or name of the security. Such a description should accurately set forth sufficient information for the investor to determine exactly the type of security offered.

In addition to actually describing the character of a security, some additional information of great value to the investors may be given under this heading.

In the case of a railroad suitable information should be given to make it possible for the investor to determine the relative value of the security offered. This might be the miles of roads and track covered by a mortgage, the cost of this road, the amount of securities having a prior lien per mile, and the amount of this issue per mile. In the case of collateral trust bonds a list of the securities pledged may be given and their market value. In the case of stocks, of course, this paragraph would be omitted, as stocks do not have specific security pledged to fulfill an obligation; as unlike a bond or note, stocks are not the obligation of a corporation. There are so many different kinds of security supporting issues of bonds that it would be impossible to attempt a recital of them here. It is important, however, that the investor when making a comparison should select issues sufficiently similar to permit of proper comparison.

Assets and Earnings

The next items, in the order which they generally appear in circulars, are perhaps the most important features in a circular—the Assets and Earnings of the corporation. The assets are usually not touched upon except in the case of industrial corporations, as

this matter is more particularly covered under the heading of Property or Security in other corporations. The subject of earnings, however, is of the greatest importance in all circulars describing all kinds of securities.

For an understanding of assets and earnings, it is important to give considerable space to a thorough discussion. Therefore, these are treated in the subsequent chapter.

Value of Properties

Very often a special paragraph is devoted to setting forth the value of the property of the corporation or the value of the property securing the particular issue offered in the circular.

Values of property are usually given only in cases where there has been an actual appraisal of the physical assets by reputable appraisal corporations or firms.

While railroads are usually not appraised, the properties of public utility and industrial corporations are subject to appraisal.

Too much importance, however, should not be attached to appraisals or valuations. The basis for asking an appraisal is to take a list of the actual materials used in building the properties at the average price of these materials at the time of the appraisal. An allowance is then made for the labor required in constructions and a reproduction value of the properties is thus arrived at. Obviously properties of a corporation are not all new and, therefore, allowance is made for the depreciation of the various parts of the properties. The rates of depreciation are based upon average experience. After making these allowances, a present value of the properties is reached.

Some corporations own patents which are of great value, but these are usually omitted in arriving at valuations for the issue of investment securities. The value of patents is usually reflected in the common stock of a corporation. Likewise, some corporations have expended large sums upon advertising and so have built up the goodwill of the public. They may have advertised particular brands of goods or trademarks which could actually be sold to competitors for a large sum of money. These values are likewise omitted in determining valuations on the basis of the issue of investment securities. In the case of public utility corporations the franchises which they own—that is the right to operate under the law—are very often of large value, but not usually included in valuations for the issue of investment securities.

There are so many ramifications of the question of appraisals, that, generally speaking, such valuations should not be given too much weight in judging securities. The plant of an industrial corporation may have actually cost a great sum of money, but may have been designed for a special purpose which has since proven a mistake, or, for some other reason, may have lost its usefulness. It is very difficult to sell properties on the basis of their valuation. As a matter of experience, it is almost impossible to find a buyer for properties which require a large sum of money to purchase. Generally speaking, if a corporation is unable to take care of the payment of its securities, or the interest thereon, the security holders must themselves consent to a re-organization and readjustment of the securities outstanding to meet the actual ability of a corporation to earn enough to pay a return.

Equity

Very often a special paragraph is devoted to the question of equity. This word is to convey the idea of the margin of safety which exists as a protection for the security holder. It is represented by the market value of the "junior" securities or those which follow the issue being described in the circular. For example, if a debenture, bond or note is being offered, the market value of the preferred and common stocks of the company represent the opinion of the public as to the value of the corporation, over and above the securities being described in the circular.

Railway Terminal Bonds

By JACOB H. SCHMUCKLER

An Interesting Group of Obligations Having Unique Security

FOR some years many prominent persons in discussing the solution of our railroad difficulties have given considerable attention to the question of terminal facilities and how to use them most efficiently. This matter is now being stressed in connection with the solution of our present railroad problem. It is generally felt that the expansion of our terminal facilities has not kept pace with the growth in our railroad system as a whole, and that there has not been sufficient coordination. Many of the plans suggested to clear up the railroad situation assume that changes in the present terminal system are necessary. A further extension of the principle of joint operation is widely urged.

Economics of Railroad Terminals

The construction of a railway terminal calls for a great amount of money, and very often for a time proves a heavy drag on a road. The new Pennsylvania Terminal in New York City is an excellent case in point. The Pennsylvania constructed the new terminal at tremendous cost. A great deal of tunneling and multifold tracking had to be done. Costly real estate had to be acquired, and very expensive buildings had to be put up. Of course, the Pennsylvania Terminal is a much more expensive proposition than most others, but it illustrates the principle that terminals involve heavy expenditures.

Nor can the Pennsylvania expect for years to make its New York Terminal a self-supporting proposition, if ever. It will be a source of direct expense. This is another phenomenon common to practically all terminal properties. In a certain sense terminal facilities may be said to be non-productive of direct revenue, their importance lying mostly in enabling the roads to efficiently handle their traffic and to draw traffic to their lines.

This undoubtedly was the outstanding thought of the Pennsylvania. They wanted to have a direct entrance into New York and to secure a firm hold on the Long Island field, because they believed that this ultimately means a considerably increased traffic, and above all they wanted to have an advantage over the other roads which have their terminals on the New Jersey side and bring their passengers and freight into New York City via ferry and freight boats.

The importance of getting there first is a vital consideration in the construction of terminals. The strategic position counts for much. The item of cost is of importance but not as significant as is the location. To be a real success the terminal and station must be right near the heart of things or within easy reach of it, and location in such centers are not easy to secure. Besides there are a number of engineering and technical difficulties in the building of terminals and these become increasingly difficult, and in fact in many cases prohibitive after one or two terminals have already been built.

Joint Ownership and Operation

Efficiency and economy therefore strongly urge the joint use and ownership of terminals, and with very few exceptions this is the status in the great cities of the United States. In the case of some smaller properties ownership and operation reside in one company and the terminals are parts of a single system, but all of the larger properties are owned and used by several roads.

The actual condition and details can best be explained by a specific example. Let us take the case of the Chicago & Western Indiana R. R. Co. This property owns an extensive system of terminals and belt lines in and around the city of Chicago and also passenger and freight depots and

realty in the heart of the city, including the Dearborn Union Passenger Terminal. The authorized and outstanding stock capitalization is $5,000,000 which is owned in equal shares by the Chicago & Eastern Illinois, Wabash, Erie, Chicago, Indianapolis & Louisville and the Grand Trunk Western Ry. Co. One part of the property is leased to the above five roads. Another part is leased to the Belt Railway of Chicago.

The aggregate rental paid by the five roads must at all times exceed by 20% the interest charges on the bonds outstanding so that the roads guarantee the interest on the bonds of the terminal company and in addition guarantee their proportionate shares of the principal and sinking fund requirements.

Like most terminal properties, the Chicago & Western Indiana shows an operating loss. The rentals received, however, are more than sufficient to cover interest charges and to pay dividends with a fair margin. In many cases dividends are paid with a resulting deficit but this really means very little for the money paid out in curities of properties that are not self-dividends goes to the same sources as are supplying it to the terminal company. As a general rule it may be stated that very little of significance regarding the value of terminal bonds can be secured directly from their earning statements. Few terminal properties are self-supporting, and the strength of their bonds depends almost entirely upon the guarantee of the roads to which the properties are leased.

Vital Considerations for Investors

It is a fundamental principle of investments that the purchasing of sesustaining and whose values rest entirely upon a guarantee should generally be avoided, unless the investor looks carefully into the character of the guarantor and the details of the guaranteeing agreement.

The fact is that the character of the companies guaranteeing terminal bonds ran[illegible]m the poorest to the very best a[illegible]e cases are very few where there is not one or more strong companies guaranteeing these issues. There is every reason prompting the leasing roads to live up to their guarantee legally. The strength in the guarantee attaching to the terminal bonds is real and investors can feel safe in purchasing better grade bonds solely on the basis of the guarantee. The proportion of issues in this class which are high grade is considerably larger

GOOD RAILWAY TERMINAL BONDS

	Maturity	Price about	Yield to maturity**
Chicago Union Station 1st 4½s	1963	85¾	5.40%
Chicago & Western Indiana gen 6s	1932	103¼-104½	5.50
Chicago & Western Indiana con. 4s	1952	64⅝-65	6.65
*Jacksonville Terminal 1st 5s	1939	85	6.40
*Minneapolis Union Station 1st 6s	1922	100½	5.90
*N. Y. Lackawanna & Western Ter. Imp. 4s	1923	93½-95¼	5.60
*N. Y. Susquehanna & Western Ter. 1st 5s	1943	88⅝ (bid)	5.90
New Orleans Terminal 1st 4s	1955	67⅛-70	6.25
Southern Pacific San Francisco Ter. 1st 4s	1950	77⅞-78	5.50
St. Louis Southwestern 1st & Unif. 5s	1952	63⅝	8.20
Terminal R. R. Assoc. (St. Louis) 1st 4½s	1939	89-90½	5.40
Terminal R. R. Assoc. (St. Louis) 1st Cons. 5s	1944	93½-94⅜	5.45
Terminal R. R. Assoc. (St. Louis) Gen. Ref. 4s	1953	73½-75⅞	5.60
*Toledo Terminal R. R. 1st 4½s	1957	74-77½	6.20
*Union Terminal Co. (Dallas) 1st 55s	1942	87-90	5.97
*Wabash R. R. 1st lien terminal 4s	1954	65 (bid)	6.55

*These bonds are rather inactive and it is difficult to secure exact prices, as the quotations of dealers vary somewhat. However, it is believed that the above prices indicate approximately the current markets.

**Yields computed on average of bid and asked prices.

than in any other group of corporation bonds.

The excellent character of the security is naturally reflected in comparatively low yields for terminal bonds. Investors who are looking for very high rates of return will undoubtedly find them more plentiful in other departments of the bond list. Still, excepting railroad equipments, railway terminal bonds are the strongest single group of corporate investments and for those who care to sacrifice a little income for additional safety a number of very attractive issues are available.

Another consideration is that many terminal obligations are outstanding in comparatively small amounts and consequently have rather limited markets. A number of issues having active markets are to be had, however, and some of these are presented in this article.

List of Attractive Issues

The table herewith presents a list of good railway terminal bonds. These are of very substantial investment character, excepting the St. Louis & Southwestern First and Terminal 5s which are fairly secure but have a somewhat speculative tinge. However, they have good prospects for an improved investment and market position.

Issues Described

Details in regard to some of the more prominent of these issues are as follows:

Jacksonville Terminal First 5s. Amount outstanding $3,000,000. Secured by first lien on passenger and freight terminals and about 31 miles of track in Jacksonville, Fla., which are used by the Atlantic Coast Line, Seaboard Air Line, Florida East Coast, Southern Railway and Georgia Southern & Florida Railway. These companies own all the stock and guarantee the bonds as to interest and principal. The terminal is operated at cost. Market is rather narrow, but the issue is first rate as an investment for income return.

New York, Lackawanna & Western Terminal Improvement 4s. An exceptional high grade issue which has sold at close to and even above par. Outstanding amount $5,000,000 which are secured by the third lien on 214 miles of very valuable mileage. Interest and principal guaranteed by the Delaware, Lackawanna & Western by endorsement. Considering strong character of security the yield is very attractive.

New Orleans Terminal First 4s. Interest and principal on these bonds, of which there are $14,000,000 outstanding, were originally guaranteed by the Southern Railway and the St. Louis & San Francisco, but are now guaranteed by the former road only. They are a first lien on the entire property of the Company consisting of 5,500 acres of valuable lands, including freight terminals and grain elevators, 49 consecutive blocks in the City of New Orleans on which are a large modern passenger station and numerous freight houses, a belt line and also lands for the extension of terminal facilities. Issue not so strongly secured as some of the others but the security is good and the yield of over 6% makes the bond a good holding for income. It also has a fairly active market.

Southern Pacific San Francisco Terminal 4s. A high-grade issue. Outstanding $24,923,700. Secured by first lien on terminal properties in San Francisco and Oakland, Cal., including the Bay Shore Line from San Bruno to San Francisco, 11 miles, and a total of 718 acres of land of which 320 acres are in San Francisco. Available in $100 and $500 denominations. Yield not very high, but considering the character of the security and the active market bonds are a good investment for income return.

St. Louis Southwestern First Terminal & Improvement 5s. A first lien on terminals in St. Louis and Fort Worth, Texas and varied liens on other mileage. Amount outstanding $8,150,000. Total interest charges of the road have been earned with good margins since the beginning of the 1916 fiscal year. The road has been

showing expansion within the last few years. Operating efficiency is on the up grade. Bonds yield very attractive return and have good prospects.

TERMINAL RAILROAD ASSOCIATION OF ST. LOUIS. This association is a joint corporation controlled by 15 railroad companies which have terminals in St. Louis and include some of the strongest roads in the United States. The fifteen railroads agree under contract to use the property forever and pay as tolls interest, taxes, rentals and other charges, each road contributing its proportion to the extent of 1/15 to make up any possible deficit. The association controls virtually all terminal facilities in St. Louis. The first 4½s are a first lien on all the association's property and in additional on various leasehold interests. The first consolidated 5s are secured on the same property as the first 4½s subject to their claim and also by a first lien on valuable collateral. The general & refunding 4s are a third lien on all the property securing the two issues mentioned above and a first lien on other valuable collateral. The principal on none of these bonds is guaranteed by the leasing companies. The three issues are very desirable for income return and have pretty active markets.

Cleveland, May 26th, 1919.

THE MAGAZINE OF WALL STREET,
42 Broadway, New York.

Dear Sirs:

The Cleveland-Chicago mailplane which left the former city on the morning of May 25th, fell a short distance from the flying field, resulting in the death of the pilot and partial destruction of the mail. As the accident occurred but a short distance from my home, I was enabled to secure some charred remnants of the partially burned mail, which the postal officials did not consider worth salvaging. A few of these scraps of letters contained enough information to identify the senders and I am returning such, thinking possibly they might be of some value. Please note the enclosed.

Your truly,

R. J. OLIVER.

13214 Crennell Ave., S.E.,
Cleveland, Ohio.

Current Bond Offerings

Briefly Discussed and Analyzed

[The object of this department is to present the salient facts of the important bond offerings, and in cases where sufficient information is available, to assign them a tentative rating. The number of new offerings has assumed substantial proportions since the close of the Victory Loan campaign, and should continue large for some months. These should include a number of very attractive purchases for all classes of investors, and it is hoped that the following will aid investors to make desirable selections. The status of each bond as to taxation will be discussed as fully as possible, and issues available in less than $1,000 pieces will be so designated.]

LIST OF CURRENT OFFERINGS

Issue	*Maturity*	*Offering Price*	*Yield to Maturity*
Government and Municipal:			
Province of Ontario 5s	May, 1922	98⅜	5.60%
Province of New Brunswick 5½s	May, 1922	99½	5.70
City of Seattle Street Ry 5s	June, 1930-39	100.84@101.27	4.90*a*
State of South Dakota 5s	June, 1924-39	101.32@103.86	4.70*a*
Hudson County Road 5s	May, 1924	102¼	4.50*a*
School District of Omaha 5s	June, 1948	104.72	4.70*a*
City of Cleveland Public Improvement 5s	1920-69		4.50*a*
Railroad:			
Alabama, Tennessee & Northern 6s	July, 1948	92½	6.52*b, e*
Baltimore & Ohio, Toledo & Cin. Div. 4s	July, 1959	66	6.30*e*
Cuba Railroad 1st 5s	July, 1952	88	5.80*b*
Central of Georgia 10-year 6s	June, 1929	99½	6.10*b*
Great Northern 1st and ref. 4¼s	July, 1961	86½	Over 5.00
Cleveland, Cincinnati, Chicago & St. Louis Equip. trust 6s	June, 1920-27		5.12@5.85
Public Utility:			
Nebraska Power 1st 5s	June, 1949	90	5.70%*b, d*
Mahoning & Shenango Ry. & Lt. 1st cons. 6s	Nov., 1920	98¼	7.25*b*
Northern Ohio Traction & Light 6s	June, 1926	96	6.75*b, e*
Industrial:			
Morris & Co. 1st 4½s	July, 1939	97½	5.50*b*
Wilson & Co. 1st 6s	April, 1941	100	6.00
A. E. Staley Mfg. 1st 7s	June, 1920-29	99.25@100.48	*b, e*
Trinity Bldg. Corp. 1st 5½s	June 1, 1939	99½	5.55*b, d*

(*a*) Exempt from Federal Income tax, including surtax. (*b*) Company pays normal income tax to the amount of 2%. (*c*) Exempt from Federal, State and Municipal taxation as to interest and principal, excepting estate and inheritance taxes. (*d*) Available in $500 denominations. (*e*) Available in $500 and $100 denominations. (*f*) Exempt from State and local and from Federal normal income tax. (*g*) Without deduction from Federal income tax up to 4% so far as is legally permitted.

PROVINCE OF ONTARIO 5s. An excellent investment yielding an attractive rate of return. Under more normal conditions bonds would sell much higher. Legal investment for savings banks in Vermont, New Hampshire and Connecticut. Assessed valuation of taxable property for municipal purposes $2,054,212,000. Net debt, $76,156,536. Principal and interest payable at option of holder at Agency Bank of Montreal, New York in U. S. gold coin or at office of Provincial Treasurer.

PROVINCE OF NEW BRUNSWICK 5½s. A very attractive issue. Bonds are a direct and primary obligation of Province at large and are payable, principal and interest, from the consolidated revenue fund. Exempt from taxation from all provincial, civic, municipal and school purposes, except succession duties. Purpose of issue is to provide funds for construction of permanent bridges and highways. Principal and interest payable in gold at Bank of Montreal, in New York City or in Canada.

AMERICAN MUNICIPALS. All high-grade. Considering their exemption from income taxes and excellent security, yields are attractive. Seattle 5s exempt from all taxation in State of Washington. Hudson County 5s exempt from taxation in State of New Jersey. Cleveland 5s, $330,000 mature Feb. 1, 1920-1941, $1,990,000 March 1, 1920-1969, and $360,000 Oct. 1, 1924-1926. Price any maturity to yield 4.50%.

ALABAMA, TENNESSEE & NORTHERN 6s. Authorized $3,500,000, outstanding (this issue) $850,000. A first lien on the property of the Railroad Corporation, whcih is the successor to the Alabama, Tennessee & Northern Railway. Balance reserves for general requirements of corporation and extensions. Road traverses a fertile section through five western counties of Alabama and has a wide level territory not served by any other railroad. Property stated to have been adversely affected by conditions created by the war. Interest charges on present issue covered with wide margin.

BALTIMORE & OHIO, TOLEDO-CIN. DIV. 4s. Bonds are a direct obligation of Baltimore & Ohio. A first lien on 185 miles of road and further secured by direct or collateral mortgage on about 250 miles of road owned and 144 miles of leasehold interest. Interest charges covered with good margin. Amount outstanding, $16,250,500.

CUBA RAILROAD 1st 5s. Secured by a first mortgage on all railway and other property now owned or hereafter acquired. Main line forms the eastern portion of the through route traversing the Island of Cuba from Havana to Santiago. Carries annually large proportion of sugar crop. Interest charges earned with liberal margin.

NEBRASKA POWER 1st 5s. Secured by first lien on the entire physical property, rights and franchises of the company. U. S. Supreme Court has held franchise to be unlimited as to time. Company does substantially entire electric light and power business in City of Omaha. In year ended April 30, 1919, interest charges earned about 2½ times.

A. E. STALEY MANUFACTURING 1st 7s. Company is one of the largest independent manufacturers of starch and starch products in the U. S. Proceeds from this issue to be used to extend Decatur, Ill., plant by consturcting a glucose, sugar and syrup factory. Amount issued, $2,000,000 to be secured by first and closed mortgage on all property and rights now owned or hereafter acquired. Interest charges on issue earned approximately 6¼ times in each of last three years. Redeemable at 102 and accrued interest on thirty days' notice. No dividends shall be paid on common stock as long as any of these bonds are outstanding.

TRINITY BUILDINGS CORPORATION 1st 5½s. Secured by first mortgage to Guaranty Trust of N. Y. upon the Trinity and U. S. Realty buildings, the original cost of which exceeded $16,000,000. Amount of loan is less than 2/3 of value of properties as assessed for taxation. Principal, interest and sinking fund payments guaranteed by U. S. Realty & Improvement Company. Net operating revenues of the properties mortgaged are substantially in excess of maximum interest and sinking fund requirements. Amount offered $7,000,000.

Investment Inquiries

BETHLEHEM PURCHASE MONEY 5's
A Well-Secured Bond with Good Yield

Beth. Steel Purchase Money 5's of 1936 are a very well secured investment and we believe the interest and capital to be entirely safe. It yields around 6¾% which is generous considering the security, and we have no reason whatever to doubt the strength of this company so far as its bonds are concerned. We certainly favor an investment.

GENERAL MOTOR ISSUES
Sound Business-Men's Investments

General Motor Pfd. and General Motor Debenture stock are both sound investments for a business-man. We are inclined to favor the old preferred stock as this issue is being redeemed by the company and is convertible into the debenture stock upon a parity basis on or before January 1st, 1921. The debenture stock is not exchangeable for the old preferred. There are signs that the old preferred is being retired gradually by the company. The rate of dividend is 5% cumulative on both issues and both have the preference as to assets and dividends.

UNITED DRUG
Well-Managed Concern

United Drug Company is a well managed and strong organization which is constantly growing and we regard all stocks of this corporation, especially the first and second preferred, as very attractive investments for the business-man. Although the common stock has advanced somewhat in the last year we do not think that present prices altogether reflect the outlook for the future. For 1918, gross sales were over $50,000,000, and gross profits over $18,000,000. The net profit was around $5,000,000. The sales for 1917 were over $40,000,000 and net profits a little over $3,000,000. The ratio of improvement will be readily noted and we expect an advancing tendency in gross sales and profits as years go by.

INACTIVE BONDS
Short-Time Notes and Inactive Bonds Not Favored for Investment

Ludlum Steel 7% Notes are a fairly good investment, but the securities are inactive. We do not favor inactive securities owing to the lack of market, and much prefer some of the more active investments like Bethlehem Steel notes, which give a good yield and are well fortified.

We may say that we prefer long term bonds in preference to short term notes, and refer you to the "Bond Buyers Guide" in every second issue of the Magazine of Wall Street.

PIERCE-ARROW
Good Long Pull Prospects

Pierce-Arrow we regard as a very satisfactory holding for a long pull. It is one of the few motors that has not as yet had a great advance, and we believe that the company has first rate possibilities. We should not be at all surprised to see the present $5. dividend annually increased, and see considerably higher prices for the stock over a long period and time. We are not inclined to see much of a reaction in the market value of Pierce-Arrow for the reason that the stock has not had a very rapid advance, and we believe that you would not go at all wrong to hold it as an investment.

I. R. T. 5s OF 1961
Large Assets Behind Issue

Interborough Rapid Transit 5s, due 1966. The last sale of these bonds was at 71½ so that you could realize a small profit if you cared to sell. There is, of course, danger of receivership in the near future, as the company is not earning its interest and may not be able to borrow money to tide it along. However, if relief is granted the traction companies in the matter of higher fares, as recommended by President Wilson, recently, they may be able to avoid receivership. In any event these bonds are a direct claim on I. R. T. earnings and the accumulated interest thereon must be deducted before turning over any of its earnings to the city. There are plenty of assets behind these bods and in the long run adequate earnings are, we believe, assured.

SOUTHERN PACIFIC
Still in Good Position

Southern Pacific we still think very well of, especially as a very long pull proposition and believe despite the rapid recent advance in price, the issue should see much better value in time. The stock has assets and earning power especially in its oil properties. The decision concerning Southern Pacific oil lands is very widely expected from the U. S. Supreme Court. After careful investigation we are inclined to believe that it will be rendered favorably to the company.

PULLMAN CO.
A Safe Investment

Pullman Company is a standard investment stock which does not fluctuate greatly in the market. The present 8% dividend rate had been paid continuously since 1900 with large extra dividends in 1906 and 1910.

The New York Sun on April 12th, 1919, stated that the company will be returned to its owners July 1st, 1919.

The company was operated under a standard contract similar to that of the railroads, based on average earnings for 1915 to 1917.

The company's report for the year 1918 showed a total net income of $10,103,000. stock is a safe investment and that with a large demand for equipment the company's earnings should increase somewhat during the next two or three years. or about 8.42% on this stock. This was presumably the actual earnings rather than the guaranteed amount, as the latter should run somewhat higher.

We believe that at the present price the

SAXON MOTORS

Shares in Speculative Position

Saxon Motor held a special meeting in March to propose a reorganization of the company by formation of a new company with $2,000,000 bonds and $1,250,000 preferred stock and $3,200,000 common stock as compared with the present capitalization of $6,000,000 common stock of a par value of $100. The company is undoubtedly passing through a critical period and we believe that it will ultimately be able to finance itself in better shape. When one considers that Saxon sold as high as 87 in 1916 and 68 in 1917 present low figures look ridiculous but it must be remembered that great changes have come over this company and it was formed in November, 1915 during a boom and upon capitalization that was very hopeful at that time.

The shares are merely a gamble at these levels, but under existing conditions, the shares may well sell higher in sympathy with the rise in the motors. We do not consider Saxon a safe investment, but the shares undoubtedly possess some speculative possibilities.

ROYAL DUTCH

A Powerful Company

Royal Dutch Company is a very powerful organization and is the largest competitor of Standard Oil of New Jersey, and with the assistance of the British Government will have first or second place in the marketing and production of petroleum throughout the world. The company has expanded its capital in the past few years. This was accompanied with various dividends, extras and rights, and the stock has proven a splendid investment for those who managed to invest some time ago, before all these distributions took place.

There will shortly be another distribution of stock at par in the proportion of one share of new stock for every four shares of old stock held. This has caused a further advance in the shares, and they sold very recently at their record high levels. We believe that Royal Dutch, in spite of temporary irregularity, should sell at substantially higher levels in the long run.

FAMOUS PLAYERS LASKY

Market Price Discounts Future

Famous Players Lasky Corporation was incorporated in 1916 in New York, and acquired the stock of the Famous Players Film Co. of Maine and the J. L. Lasky Feature Co. of New York. In October, 1916, the Oliver Morosco Photoplay Co. and the Pallas Pictures were merged and in December, 1916, the corporation acquired control of the Paramount Picture Corp., motion picture distributors. In December, 1917, this latter company was merged with the Artcraft Pictures Corp., the Cardinal Film Corp., and the Famous Players Lasky Corporation.

The company has no funded debt but has 200,000 shares of capital stock outstanding and an annual dividend of $2.50 was paid January 2, 1917. A like amount was disbursed in April, July and October, 1917, but no dividends were paid in 1918. This year however, the company resumed dividends with a declaration of $1.50 paid April 1, to holders of record March 26th. The concern does not make public any income account or balance sheet, and we hesitate in forming an opinion as to the investment value of the stock.

We believe that this stock has pretty well discounted its future prospects and that it will not be opportune for you to purchase it at the present price.

AMERICAN ZINC PFD.

An Attractive Speculation

American Zinc Pfd. is neither a gilt edge investment nor a secure dividend payer and its low price indicates its speculative character. At these levels, however, it must be regarded as an attractive speculation for surplus funds and marketwise it will probably rally and sell higher in sympathy with any strength in the metal stocks. The company was very prosperous during 1915 and 1916 because of war earnings derived from zinc, lead, spelter, etc., sold at war prices. These metals are selling upon a normal basis and we believe that fantastic earnings are now a thing of the past. However, American Zinc Pfd. is a good speculation for anyone who can assume the risk involved.

COMMONWEALTH PETROLEUM

A Well Sponsored Proposition

Commonwealth Petroleum is well sponsored in a consolidation of a number of producing properties and is said to be under the indirect control of the Standard Oil Company. The company which has been carrying on active development work at its various properties is now able to show results. The first of the 25 new wells being drilled has just been brought in at 250 barrels a day and proves up a substantial new acreage. In the Santa Maria Field of California there are 18 wells going down on this property where the life of oil wells in the past

has averaged over 10 years. The well is drilling on the properties in the Ranger District of Texas with 25 wells in various stages of drilling on the properties in California, Wyoming and West Virginia. Its immediate market activity hinges upon this development work. The stock is attractive on a speculative basis.

The stock pays no dividends but is expected to do so upon a 4% or 6% basis in the early future.

CONNECTICUT RAILWAY AND LIGHT

A Second-Grade Utility

Connecticut Railway & Light Co. was chartered in 1895. The company leased all its properties in 1906 to the Consolidated Railway Company, since merged into the New York, New Haven & Hartford Company for 999 years for the following cash rentals beginning Aug. 1st, 1906—$975,000, and after 1914 and annually thereafter $1,400,000.

The first dividend 1% on assenting common stock paid in November 15, 1907, 1% quarterly thereafter. On non-assenting common, 15 cents Nov., 1907—15 cents Feb. 15, 1908 and 15 cents May 15, 1908, after which all stock became assenting stock. During the fiscal year ended June 30, 1907, an additional payment of $255 per share on 50 shares of common was made out of dividend fund, and is now paying 4½% annually.

The company owns street railway, electric light and gas companies located in state of Connecticut. We do not particularly favor public utility stocks of this type as an investment as there are other issues having better possibilities.

LEE TIRE AND RUBBER

An Over-Capitalized Company

Lee Tire & Rubber is apparently liberally capitalized, the company having outstanding 100,000 shares of no par value. At 25 this places a valuation of $2,500,000 upon the enterprise and yet the net income for 1916 was a trifle about $250,000 while dividends consumed nearly $40,000. You can well understand that little or no surplus was shown for these two years. The trouble is over-capitalization.

Under these circumstances we do not regard Lee Tire & Rubber at present as a conservative investment, even though at its present price it may seem on the surface out of line with other tire companies.

SAVOLD TIRE

Enterprise Sound

Savold Tire Corporation is capitalized for $5,000,000 in 200,000 shares of common stock, par $25 (no bonds or preferred stock). Formed to take over the Savold method consisting of about twelve patents, it is claimed that old tires can be repaired or rebuilt with a minimum guarantee of 3,500 miles further service, at a moderate cost to the user. If successful, the company has a large field since there are 7,000,000 registered cars in the U. S. A. The right to use the process is sold by the company upon a State Right plus $1 a tire royalty basis.

We believe the management's plans to be sound, and those back of the enterprise sincere. Of course, the shares are not in the investment class, but a specialty representing a new angle in the auto industry. As such, they have possibilities.

COSDEN & CO.

Should Be Held

Cosden & Co. is discussed in the April 26th issue of The Magazine of Wall Street and we believe it would pay you to study this article carefully before making a commitment one way or the other. As a long pull proposition, Cosden & Co., is not high around present prices and if as is pointed out in the article, the company earns more than last year, this favorable situation should be discounted in higher prices for the stock. You would do well however, to watch the progress of the company carefully if you are a stockholder and if you find in the next month or so, that earnings are not coming up to expectations or that there are signs of over-expansion, you should liquidate. At present, we believe the stock should be held.

We understand that a listing on the New York Stock Exchange is highly probable.

HERCULES PETROLEUM

A Good Long-Pull Speculation

Hercules Petroleum Class A stock seems to be a proposition of possibilities, and we think that it is a good long pull semi-speculative oil issue. The company's earnings are fairly substantial now, but the chief possibilities of the stock lie in the operations of the company in the Ranger Field in Texas.

The company was organized last year in Texas. It acquired 9 leases in the Ranger Field, 6000 acres, and owns a refinery of 2500 bbls daily at Dallas, 150 miles from the center of the Ranger District. The company is earning about $15,000 monthly. An initial dividend of 1% on the "A" stock is payable April 15th to be followed by regular payments of the 15th of each month thereafter.

Capitalization is $800,000 "A" stock and $700,000 "B" stock.

U. S. LIGHT & HEAT

A Speculative Utility

U. S. Light & Heat is a speculative issue and we do not particularly favor it. The company's earnings have been comparatively poor over a period of years and dividend prospects seem remote. The

stock at the best is nothing more than a poor gamble and we believe that there are many other issues selling at comparatively low prices with far better prospects for the future. For instance, we suggest—Atlantic Petroleum. While this issue is speculative, the company is in a better position, and the prospect for advancement in market price is brighter.

ISLAND OIL

A Well-Established Property

Island Oil although holding steadily around 8, has shown some distribution and profit taking, but we believe that ultimately the shares ought to go substantially higher. The company is going ahead with its development program and with its producing capacity of 175,000 bbls a day, a large acreage in well located territory and well established increasing marketing connections we expect the shares ultimately to graduate into a higher investment class.

The company has profitable connections with the affiliated Island Refining Corporation giving it an opportunity for profiting from advantage disposition of gasoline and other by-products of oil.

We do not think that the nationalization of Oil Lands by the Mexican Government will have any adverse effect upon Island Oil & Transport. The sponsors for this company are very well informed as to conditions in Mexico and we doubt whether they would place their own money into an enterprise at the mercy of an unscrupulous government. Island Oil is a growing company and is ultimately graduating into a much higher investment class in our judgment. Large investors in Mexico particularly in the oils and silvers do not entertain any serious doubt as to the future and the course of prices on the New York Stock Exchange for Mexican securities indicates the prevailing feeling.

"STOP LOSS" ORDERS

Broker Responsible

As you placed a stop loss order on Studebaker at 118 and apparently the broker accepted the stop loss order, we believe that you could hold him to the trade. We do not think that under the circumstances, you should take the loss unless it can be shown that the broker was unable to execute the order through circumstances within the Stock Exchange itself. Apparently, your banker is a witness to the fact that the broker was told to place a stop loss order at 118, and as the stock was then selling at 118¼ and you were informed that it was advancing, the broker apparently accepted the risk. The broker is of course, your agent in the matter but he is liable for any negligence. It is purely a question of what happened after he received the order and we would suggest that you ask for the fullest explanation and let us see his answer.

B. R. T. 5's OF 1945

Direct Obligation on Company

Brooklyn Rapid Transit 5's of 1945, are a first lien on all of the property of the company—the amount outstanding is $7,000,000. As the company's property consists entirely of securities of other companies, however, the prior lien bonds of these subsidiary companies amounting altogether to $52,449,000. must be taken into account. The $27,621,000. First Refunding 4's of 2002 are a direct obligation of the company, following the 5's of 1945. The 7% notes ($57,735,000 outstanding) are secured by the same amount of New York Municipal Railway 1st 5's of 1966 and $39,000,000. B. R. T. Consolidated & Refunding 6's. The interest on the 7's was, as you probably know, defaulted on Jan. 1st, 1919.

The notes are a direct obligation of the company but this does not seem a great deal, and we do not know the terms the stockholders will receive in the reorganization.

SUGGESTIONS IN REGARD TO INQUIRIES

The heavy volume of inquiries which this publication is receiving makes it necessary to ask our subscribers to co-operate with us in order that we may maintain and improve the high quality of service which the Investors' Personal Service Department renders to our readers. We therefore suggest that:

1. Not more than three inquiries be submitted at one time. Occasionally a subscriber sends in a long list of securities, asking for an opinion on each. The careful manner in which the Department handles its inquiries makes it impossible to give same the immediate attention necessary, without slighting other inquiries.

2. Trial subscribers are entitled to an opinion on ONE security, in terms of our "trial offer."

3. In case an immediate answer is desired on more than three securities, we make a charge of $1 each for the additional number (but not to Investment Letter subscribers).

4. Enclose stamp or stamped self-addressed envelope.

The above suggestions are drawn up for the benefit and protection of our subscribers and those inquiries which conform with them will receive first attention.

SPECIAL ANALYTICAL REPORTS—When a reader wishes a special investigation or a special analysis of a security or a subject we shall be pleased to submit an estimate of the special charge for such work. We compile many Reports of this kind which are highly valued by purchasers.

HOW INDUSTRIAL STOCKS GROW

By G. C. SELDEN

Importance of Surplus "Plowed In," as an Indication of Future Development and Prices

AMONG the great variety of industrial companies whose stocks are now available to the investor, some are growing, some are standing still, and some, doubtless, will go downhill.

Is there any practical way in which the average investor, without the time or facilities for an exhaustive study of all the conditions surrounding each one of these companies, can distinguish those which are growing from the others?

The average conservative investor gets a fair interest return on his money. He buys securities which have become "seasoned," which are well regarded by bankers and bond houses generally, and which appeal to him as thoroughly sound. He tries to keep himself constantly in a safe position. He distributes his funds among various securities, so that if one disappoints him there is a fair chance that another may do unexpectedly well and thus give him fair average results.

But the exceptional investor, who accumulates a comfortable fortune as the years pass, is the one who has the "knack" of selecting securities which will gradually rise in value as well as return a good income.

What Is "Value?"

The average price of any stock during a period of years reflects its actual value with considerable faithfulness—but the price at any particular time may vary widely from that value. This is often due to speculative conditions. Those who try to anticipate the immediate future of prices are frequently mistaken in their calculations, so that they are willing to pay too much for a stock or to sell it too cheaply.

Again—and perhaps this is the most important cause of the differences between prices and values—investors place too much weight on current dividends. So long as a rapidly growing company does not raise the dividend rate on its stock, the piling up of value behind the stock passes unnoticed or is not adequately reflected in the price; and so long as a company which is on the downhill road continues to pay the usual dividends, the decline in its potential earning power is not fully appreciated.

What is this "value" that we talk about so glibly? It represents *the capitalized earning power of the assets behind the stock.* Big assets do little good unless they are of such a character as to bring increased earnings. Big earnings which are merely the result of accidentally favorable conditions are pretty sure to be temporary and are therefore relatively unimportant. But growing earnings which are based upon a constant increase in the *productive* assets behind the stock are of the very highest importance.

A company which is constantly plowing back into its assets a considerable part of its earnings each year is usually building for the future.

Suppose a steel company earns an average of 15% annually on its stock for five years. It could pay 12% yearly dividends and retain 3% in the business, or it could pay 5% and retain 10%—using the 10% to enlarge its capacity. In the latter case its capacity would increase 50% in the five years. If its average profit per ton of business remained the same, and if its common stock constituted half its total capitalization, it would then be earning 30% annually on the stock. It could then pay 12% dividends and still continue to plow in nearly two-thirds of the earnings for the stock.

An Evidence of Health

Moreover, this plowing in of earnings is the best possible evidence of

the health of the company. If it is customarily earning enough so that it has a good surplus available to be plowed in, there is a strong probability that the sums thus reinvested will also show good earnings. It is easy enough to invest money in a company in such a way that earnings will not be increased much by the additional assets. But the company which, starting with one talent, earns another talent and reinvests it in the business, is pretty likely to show good earnings for the two talents—a good deal more likely than if it had borrowed the second talent from its bankers.

So plowed-in earnings are valuable not only for the increased assets they put behind the stock, but also for the light they shed on the efficiency and conservatism of the management.

The easiest way to make clear the full significance of the reinvestment of earnings is to take a few examples of well known companies, some of which have followed this policy while others have not.

A table herewith compares General Chemical and Pressed Steel Car in this respect. The annual surplus on each stock after payment of all dividends—that is, what the company had left over each year for reinvestment in the business—is shown in the form of per cent on the stock, together with current dividends and the yearly range of prices.

In 1906 and 1907, Pressed Steel had larger surpluses for reinvestment than General Chemical, but thereafter the contrast between the two companies is very sharp. From 1908 to 1918 inclusive General Chemical plowed in about 370% on the stock which was outstanding at the beginning of the period, while Pressed Steel plowed in about 50%.

As a result of stock dividends, the holder of 100 shares of Chemical in 1908 had 175 shares in 1918. A hundred shares of Chemical at the mean price of 1908 would have cost $5,750, and at the mean price of 1918 would have been worth about $30,600, in addition to a very liberal cash income return throughout the entire period.

The same sum, $5,750, invested in Pressed Steel in the same way would have been worth about $11,825 in 1918, with an average of 2% dividends annually, or an income return of a little over 6%.

The investor in General Chemical would have had approximately three times as much money at the end of the time as the investor in Pressed Steel Car.

General Chemical's net income in 1916 was $12,287,000 against $2,140,000 in 1909; in the same years Pressed Steel's net was $2,751,000 and $1,835,000.

A GROWING VS. A STATIONARY COMPANY

	GOODYEAR TIRE & RUBBER				GENERAL CIGAR		
	Cash Divs.	Year's Surp. in % on Stock	Stock Divs.	Price Range	Divs.	Year's Surp. in % on Stock	Price Range
1909	12%	141.9%	.....	....	5%	4%	.....
1910	12	124.3	100%	....	6	0	57-90
1911	12	41.5	.....	....	4½	1.0	38-73
1912	12	40.7	100	239-404	4	2.6	47-65
1913	12	21.6	.....	279-443	4	2.4	40-50
1914	12	25.0	20	168-250	4	2.6	39-50
1915	21	37.1	.....	190-345	4	2.2	42-67
1916	12	47.4	100	198-402	4	1.3	42-64
1917	12	55.5	.....	136-281	4	1.4	30-47
1918	12	52.5*	....	132-240	4	3.2	34-58

*Subject to Federal Taxes

Investors Slow to "Catch On"

A very interesting point in connection with General Chemical was the length of time that elapsed before the price responded to the continual plowing in of profits. If a stock is legiti-

mately worth 100, and 10% on that stock is turned back into the business and expended on assets having an earning power equal to the previous assets, it is plain that the stock is then worth 110.

Let us apply this principle to General Chemical and compare the theoretical annual values of the stock thus obtained with the prices at which it actually sold. In this case the calculation is complicated by the frequent stock dividends. I will therefore compare the value of the original stock outstanding in 1906 to the holder who retained it throughout the period, as measured by the mean price of the stock each year, with the theoretical obtained by adding on the amounts plowed in, while the mean market value is the worth of the original stock to the holder on the basis of prices actually quoted in the market.

It will be seen that it took the market about four years to wake up to the real facts. Even in 1910, after $35 per share had been plowed in, the stock sold as low as $93, or 20 points below its actual value on the basis of the 1906 price. But once the true situation was realized, the stock came forward with a rush and sold a good deal higher in proportion to the productive assets behind it than it had sold in 1906. In other words, the possibilities of the company had been greatly un-

	GENERAL CHEMICAL				PRESSED STEEL CAR		
	Cash Divs.	Year's Surp. in % on Stock	Stock Divs.	Price Range	Divs.	Year's Surp. in % on Stock	Price Range
1906	2%	10.0	....	74-82	....	17.3%	43-65
1907	4	11.6	....	50-75	....	13.3	16-57
1908	4	7.7	....	50-65	....	5.8 def.	17-45
1909	4	15.4	....	61-95	....	7.7	30-56
1910	5	14.5	10%	93-110	....	5.6	25-52
1911	6	13.8	5	104-135	....	0.1	25-38
1912	11	15.7	5	128-225	....	0.8	29-41
1913	11	8.2	....	170-185	3%	7.6	18-36
1914	11	7.7	....	160-180	....	0.1	27-46
1915	6	38.3	15	165-360	....	3.6	25-78
1916	6	80.8	20	265-350	4¼	10.7	42-88
1917	10½	44.7	5	153-250	7	3.0	49-83
1918	10½	26.5	....	165-185	7¾	16.8	55-73

value of that same stock as based on the amounts plowed in from year to year.

Without taking up space to present the calculations, the net result is as follows:

	Mean Market Value	Theoretical Value
1906	78	78
1907	62½	86
1908	57½	95
1909	78	101
1910	101½	113
1911	214	124
1912	204	136
1913	215	150
1914	206	158
1915	318	165

This assumes that the mean price of 78 in 1906 was a just valuation of the stock at that time. Then the theoretical value from year to year is dervalued down to 1911, when the public woke up to the company's real prospects.

Yet it would seem, as we look back upon it, that the value of the stock should have been apparent much sooner. The year 1908 was one of general depression. Industrial earnings were small and many dividends were cut. But in that depressed year General Chemical earned almost double its dividends, which had been raised from 2% to 4% in 1907, and in 1909, a year of only moderately good general business conditions, earnings mounted to almost four times the 4% dividend.

A second table shows a comparison between Goodyear Tire & Rubber and General Cigar. The latter has paid its 4% dividend regularly and has

shown remarkable stability of earnings—but previous to 1918 it did not grow, and therefore growth was not reflected by rising prices for its stock. In 1918 some beginnings of growth appeared. Estimated current earnings are now at the rate of over 10% on the stock and the price has made a moderate response to the improvement.

Goodyear at the start was a close corporation, so that quotations for the stock before 1912 cannot now be readily obtained; but if we assume 250 as its value in 1911, that same stock would have been worth about four times as much in 1918. In 1914 and 1915 the stock sold far below its indicated actual value, as based on earning power and the actual amounts plowed back into assets.

Some Surplus Always Necessary

General Cigar illustrates the fact that a moderate surplus above dividends every year is always necessary to maintain reserves and to make such ordinary improvements as are practically essential to keep the business on an even keel.

It is always a question of bookkeeping whether expenditures shall be charged to "maintenance and depreciation" or to "additions and improvements." Maintenance is a very elastic term. What one manager would consider adequate maintenance might be considered entirely inadequate by another. In cases where a company wishes to keep its apparent earnings at a moderate figure, unnecessarily large amounts may sometimes be charged off to depreciation. But as books are usually kept, any company needs a moderate annual surplus above dividends.

The point to be observed by the investor for profit is the combination of liberal earning power with large annual surpluses above dividends. That is a sure sign of a growing company.

Atchison—A Real Railroad

By WILLIAM T. CONNORS

Earnings Steadily Plowed In—Growing Train Load—Effect of Western Pacific's Competition—Character of Traffic—Current Earnings—Outlook for Bonds and Stocks

ATCHISON is not primarily a holding company nor a medium of speculation nor an oil or land company. It is not to be classified as a granger or a coal road or a trunk line. It is a real railroad, with a wide variety of traffic, a vast extent of through and branch lines, and relatively small outside or special interests.

It has been managed by real railroad men, whose ambition has been to make the best possible road out of it. They have had a high ideal of what a railroad ought to be and have done their best to realize that ideal.

Earnings Plowed In

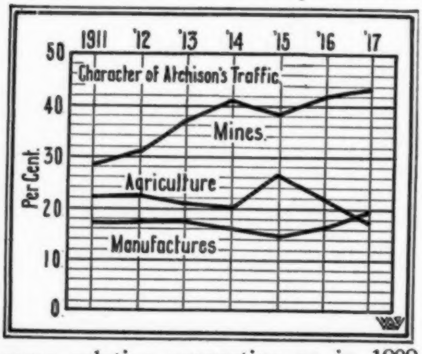
In the 10 years ending with 1919, the road will have earned, as shown in Graph 1, about 98½% on its stock and will have paid out 60% on the stock as dividends, leaving 38½% on the stock which has been in one way or another put back into the road—more than three-eighths of the earnings for the stock.

The high and growing expenditures for maintenance and improvements show where most of this money has gone. Maintenance of way and equipment was about $2,900 per mile in 1907, and had risen to $4,294 per mile in 1917. There was a further rise in 1918, although the exact figure is not yet available. Increasing costs, therefore, have not prevented the Atchison

management from keeping the road in excellent condition.

The natural result of this policy is seen in Graph 2, which shows that the train load rose from 355 tons in 1908 to 520 tons in 1917, a great increase in transportation efficiency. The sharp rise in the train load from 1914 to 1917 is especially noteworthy. It was partly due to heavier traffic, but that heavy traffic could not have been so economically handled if the road had not been thoroughly well maintained.

When the Western Pacific was opened in 1911 it pulled away some of Atchison's through traffic. The effect of that change is seen in Graph 3, showing the average length of haul per ton, which declined from 363.5 miles in 1909 to 292.2 miles in 1914—that is, Atchison's proportion of through traffic to its total freight handled was growing smaller in those years. But in the next three years through business gained rapidly on the local traffic, so that by 1917 the



same relative proportion as in 1909 was restored.

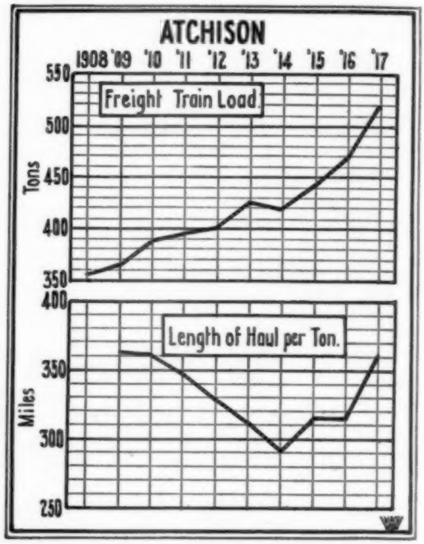
No Longer a Granger

There has been an important change in the character of the traffic, as shown in Graph 4. Year by year Atchison is less and less of a granger. Even in 1911, products of agriculture constituted only 22.3% of the total freight; but by 1917 this per cent had fallen to 17.5%.

In the meantime products of mines had risen from 28.4% to 43.5%, and manufactures had grown from 17.5% to 19.4%. The two naturally grow together, for manufacturing requires coal, and that is the principal item in products of mines. But there has also been a steady increase in metal mining development in both Colorado and Arizona.

All of these figures show a steady and satisfactory growth of the road as an up-to-date and efficient transportation enterprise, and they also indicate the constant development of the territory which it serves.

Nevertheless the price of the stock



fell to its lowest point for the decade in December, 1917, at 75—almost $50 per share below its high price of 1910. And curiously enough that same year, 1917, was the year of the biggest earnings.

It was, of course, the combination of war scarcity of capital and rising war prices for labor, materials and equipment that caused that extremely low price. Even then, Atchison's traffic was not demoralized as was that of some of the Eastern roads. The decline in the stock was more the result of the general situation and the discouragement of investors than of Atchison's real outlook. That is shown by the fact that in 1918 about 11.2% was earned for the stock, although under its Government guaranty the road gets only 10%.

In 1919 to date there has been a sharp fall in the road's gross business, while costs have remained very high. As a result current earnings are not above the 6% dividend rate. But presumably conditions are near their worst. The railroad problem is now up for solution, and any settlement which will permit the roads of the whole country to do business must permit Atchison to make money. In the meantime Atchison common will realize 10% or more from the Government guaranty for the year 1919.

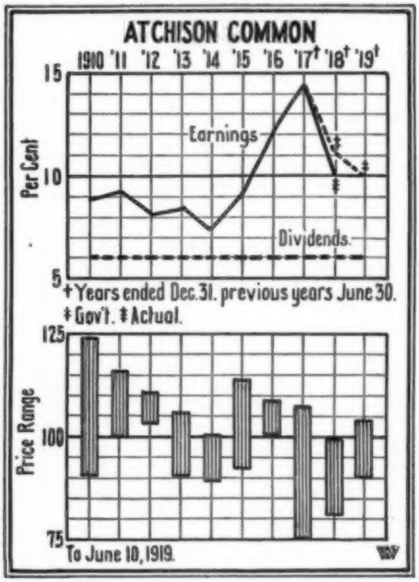
Outlook for Securities

Atchison's total funded debt is 45% of its capitalization. Its bond interest was earned about 2½ times from 1909 to 1915, 3.6 times in 1916, 4.2 times in 1917 and 3.4 times in 1918. This, of course, puts all the company's bonds in a very strong position. The 5% dividend on the preferred stock, also, is usually earned from 4 to 6 times over. The result is that all these securities sell at good prices, giving the investor splendid security but only a small interest yield.

The common stock at its current price of 102 yields 5.9% on the investment. This shows what investors think of it, since in the present market many good bonds give as high a yield as that.

In view of the constant improvement of the road and the growth of its territory it is difficult to believe that, with any reasonable settlement of the railroad problem by Congress, Atchison will earn any less on the average than it earned from 1910 to 1915, when the average earned for the common stock was about 8½%. This would not only make the 6% dividend secure but would permit the further development of the road.

Atchison taps the Oklahoma and Texas oil fields, where business is now growing very rapidly. The company also owns 7,445 acres of oil lands and leases 14,824 more, mostly in California. Production from these holdings in 1917 was 4,830,000 barrels. Last December 499 wells were producing and 19 were being drilled. Most of this oil is low grade and is used in the company's own locomo-



tives. There is no reason to become excited about Atchison's oil lands, but they are nevertheless a considerable source of income.

There is every reason to expect that Atchison common will continue to be what it has been in the past, a sound investment issue, and it should eventually be entitled to sell above the current price.

STATUS OF SILVER MINES

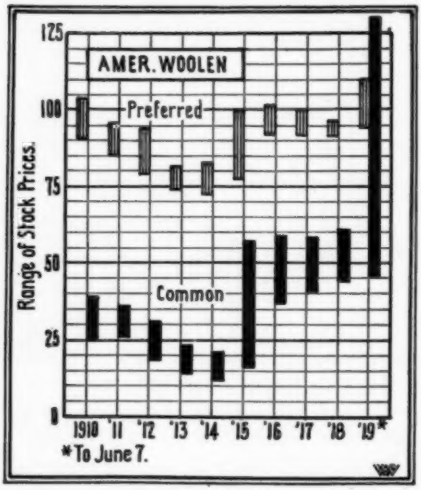
THE silver mines have not suffered as gold mines have. In truth the war has brought unusual prosperity to the silver producing companies. Silver is now better than a dollar an ounce or more than double its sometime price while the demand is greater than ever. The unusual demand comes largely from India, "from whose bourne no precious metal ever returns." Millions and tens of millions have been fed to India since the war began. This money goes out of circulation entirely and until the nations can get India in their debt and a trade balance against her, she will continue to swallow up completely all the gold and silver paid to her. The United States has melted down millions of perfectly good American dollars for India. This was sent to England in the form of bullion and later transferred to India.—*Financial Facts.*

American Woolen's Big Reserves

By MEREDITH C. LAFFEY

Why the Stock has Risen—Surprising Earnings—Depreciation Reserve Which Have Not Been Needed—Prospect for Securities

IN the advancing market of recent weeks, which has established a number of new high records for all time, one of the most exceptional performances has been provided by American Woolen. Not content with merely exceeding by a few points its high record during the war period, this stock has soared to more than double its maximum quotation for any previous year of the company's history, reaching the equivalent of eleven times its low



mark of 1914. The top point of 130 has given way to the extent of twelve points at the present writing. The fluctuations are sharp in the new and higher field of quotations, but the fact that the stock is still able to hold a valuation so far above all past figures is most remarkable.

Reasons for Advance

The explanation for the advance appears to lie partly in a somewhat belated appreciation of the large asset value of the stock and of its excellent earning power during the last three years; also to a recognition of the very satisfactory conditions in the trade. Back of all this there has been, of course, the enthusiasm of a vigorous speculative market, without which the cold facts regarding a security are apt to receive but slight and tardy acknowledgment.

American Woolen is a combine, formed in 1899, of a number of concerns engaged in the production of woolen goods. It is by far the most important manufacturer in its line. Some idea of its size may be gleaned from its ownership of fifty-three mills with ten million square feet of floor space. The company has been occupied chiefly with the domestic trade in the past. The organization, early in 1917, of the American Woolen Products Company, a separate organization to handle the export business of the company, is an indication, however, that foreign sales are receiving particular attention. Branch offices have been established in Argentine, Brazil, Canada, Chile, Colombia, Peru, Mexico and the Far East. Its sales amounted to $1,303,084 in 1917, to $2,300,000 in 1918, a substantial growth which is expected to be augmented in the present year. Though still of relatively slight importance, the foreign business of the company may ultimately become a highly important factor in its profits.

Capitalization

The capitalization of the company at the time of organization consisted of $20,000,000 7% cumulative preferred and $29,501,100 common stock, a total of $49,501,100. The mill properties acquired were valued by appraisers and were then taken over on a basis of 50% in cash and the balance in common stock. If we may judge by the record of profits for the early years of the

company's existence, the common stock was issued with the usual optimistic hopes for monopoly profits, which so frequently failed to materialize. Without dwelling too much upon the degree to which the American Woolen was diluted at its inception, we may call attention to the conservatism with which the slight subsequent changes in capitalization have been made. The present amounts are $40,000,000 of preferred stock and half as much common, or only about 20% increase in the aggregate. The capacity in 1899 was only about $25,000,000 annually, or a fraction of that of today, especially as measured in dollars.

Cash, Liberty Bonds and United States Certificates of Indebtedness practically offset the entire liabilities, thus placing the inventories and accounts receivable in the position of free and clear assets for the comparatively small common stock issue. A strong working capital is not something new for this concern. For a number of years American Woolen has been in very sound financial condition, notwithstanding its failure to report much, if anything, available for common stock dividends. The striking fact in the present situation is that the company has been able, without financing of any kind, to maintain so healthy a relationship between current assets and liabilities in a period making extraordinary demands upon current funds.

INCOME ACCOUNT FEATURES

	Operating Income	Depreciation	Net Income	% Earned Pfd.	% Earned Com.	Surplus
1909..........	5,798,059	1,618,537	4,179,522	10.64	5.32	1,569,105
1910..........	3,995,311	538,664	3,456,647	8.64	2.83	656,647
1911..........	3,225,916	......	3,225,916	8.06	2.12	425,916
1912..........	3,722,988	504,735	3,218,253	8.04	2.01	418,253
1913..........	677,685	502,106	*1,179,791	....	....	*3,979,791
1914..........	2,788,602	......	2,788,602	6.97	2.01	*11,398
1915..........	5,160,295	1,079,609	4,080,685	10.20	6.40	1,280,685
1916..........	8,210,761	2,346,942	5,863,819	14.66	15.32	2,063,819
1917..........	15,664,985	1,781,829	10,883,155	27.12	40.42	7,013,155
1918..........	$12,324,084	$5,251,557	$4,272,527	....	21.36	$772,527

*Deficit.

The plant account was originally carried at about $40,000,000. We find in the 1918 report a net valuation of $39,680,719, after a depreciation reserve of about $20,000,000. The property account has, in fact, shown but nominal fluctuation from year to year, though obviously it has been growing with the business of the company. As stated, it is just about large enough to offset the preferred stock, without counting in the investment account of $4,731,183 (stock of Ayer Mills, etc.) leaving the net working capital applicable to the common stock.

In its figures of working position, the company presents one of the strongest statements found among the big industrials. Summarized the items are:

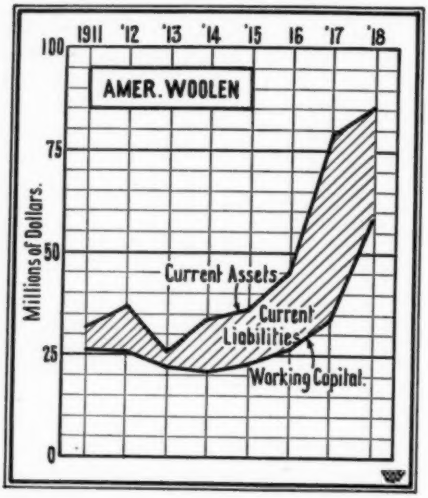
Current assets	**$79,711,170**
Current liabilities	**29,898,349**
Net working capital..........	**$49,812,821**
Per share of Common Stock.....	**$249**

At the end of 1917 the management decided that in view of the possibility of the war's ending in 1918, with the readjustment which "was certain to follow," a substantial reserve for depreciation of inventories should be set up. Accordingly, a fund of $14,500,000 was established for this purpose. At the end of 1918 the directors adopted a resolution that whereas it had been unnecessary to encroach upon the fund during the year, the amount be further held as a reserve fund. In other words, no losses were suffered as anticipated.

This depreciation fund is equivalent to about 40% of the inventory account, and would seem to be a highly liberal estimate of any loss apt to ensue between the purchase of the raw material and the sale of the finished goods. As

in the case of a great many other commodities, it now appears that price readjustments will be much more gradual than was generally anticipated at the time of the armistice.

There are further reserves of $2,000,000 each for the Insurance Fund and the Pension Fund, but, even with all of these reserve deductions and the modest book valuation of the property account, American Woolen stock is worth nearly $200 per share from the standpoint of asset value.



For some years before the war the company reported just about enough earnings, on the average, to meet the preferred dividends. The common stock received nothing and $35 per share was above, rather than below, the normal run of quotations. Under these circumstances, earnings for the common stock as follows appear distinctly favorable:

Year	Earned on Common Stock Per cent
1915	6.40
1916	15.32
1917	40.42
1918	21.37
Average	20.88
Current quotation, Common	118.
Earned on current quotation	17.7

Remarkable Profits

It is only when we take into consideration the heavy charges made against gross profits during these years that we are able to grasp the full extent of the company's earnings. At the end of 1914 the balance sheet contained no reserves of any kind. There have since been set up the following reserves:

For depreciation, 1915	$1,079,609
For depreciation, 1916	2,346,942
For depreciation, 1917	1,781,830
For depreciation, 1918	5,251,557
For Insurance Fund	2,000,000
For Pension Fund	2,000,000
For depreciation of inventories	14,500,000
Total	$28,959,938
In addition, dividends paid	4,000,000
Surplus increased	5,311,527
Total	$38,271,465
Per share Common Stock	$191.35

Some remarkable figures of the above character have been computed for various corporations, notably the large steel companies, but it is especially noteworthy in the case of American Woolen that this record has been established after the deduction of all taxes, and represents the actual sum available for depreciation, other reserves and dividends. Only 20% in all was declared in dividends (5% in 1916, 5% in 1917 and 5% in cash and 5% in Liberty Bonds in 1918), leaving $171.35 as the increase in assets.

In the light of these facts, it is small wonder that American Woolen has advanced so violently of late. Rather the question arises, Why was the advance so long delayed? The answer is that the public had no inkling of what the 1918 report was to reveal. In 1917 the balance for the common stock before all charges was $64 per share. For most concerns the climax of war profits was reached in either 1916 or 1917. It came as a distinct surprise, therefore, when American Woolen reported the astounding sum of $102 per share on the common stock. This is not obtained from the income account, which shows as its first item, "Net Profit less Reserve for Taxes and Contingencies," leaving the reader to use his own imagination in deciding

upon the division of operating expenses, taxes, reserves, etc.

The change in assets from year to year, as taken from the balance sheets, is a more satisfactory guide, and it is from this source that the amount of $102 is derived. Of course, the extent of the profits is accentuated by the form of the capitalization, there being twice as much preferred as common stock. After meeting the 7% dividend on the preferred, the balance of earnings is spread over a relatively small junior issue. This is a decided advantage when business is good, just as it used to be a disadvantage when the charge of 7% on $40,000,000 loomed up big against mediocre earnings. The common is now on a regular 5% basis, but received 10% extra in Liberty Bonds on April 15th.

Present Outlook

At the height of its war business in March, 1918, the company had orders on hand for over $100,000,000 worth of goods. Government contracts placed during the year were alone for $102,400,029. With the coming of the armistice, these contracts were abruptly canceled, and there occurred a severe temporary depression in the woolen trade. Prices fell from 20% to 35% and unfilled orders amounted to only about $50,000,000 at the end of the year. Some of the mills closed down, there was a certain amount of labor trouble, and for a few weeks the outlook was none too good.

The price cuts with which the company opened the 1919 season brought in a heavy volume of orders, however, and prices have again been advanced. There is every indication that the earnings of 1919 will be highly satisfactory.

The preferred stock has paid the full 7% since organization, but it has been rather a narrow squeeze at times, and the market value has frequently been in the seventies and eighties. It is now quoted around 109, yielding 6.40%. Its status has been so altered that it may be regarded as an attractive and fairly conservative investment.

Conditions of the present and recent past make 118 an apparently modest valuation for the common stock, and it is doubtful if it will ever again duplicate its past low records. At the same time, there remains the large preferred dividend charge to be reckoned with in periods of depression, and, in view of the generally high level of industrial common stocks, it seems unwise to suggest anything other than possibly a purely speculative commitment at the present time. Should the stock receive a substantial setback, it will then be, I believe a desirable purchase, though probably subject, as in the past, to wide fluctuations.

THE STATISTICIAN

To woo the muse, most often fickle,
Is not the right of the statistical.*
For such 'tis best to stick to fact,
The Balance Sheet and the Income Acct,*
In bills and notes receivable,
To seek attempts deceivable,
And from the heterogeneous mess,
Hazard a 50-50 guess.

When Big Depositor sends request,
And seeks advice on which is best,
U. S. Fours or Trotzky's Comics,
Produce the Laws of Economics,
With figures clear and logic clean,
Define the character of the lien,
And from the heterogeneous mess,
Hazard a 50-50 guess.

When railroad rates advance by jumps
And still the market hits the bumps,
The reason find by great agility,
Tracking down the joint facility,
What hire of equipment cost,
What makes the dividend a frost,
And from the heterogeneous mess,
Hazard a 50-50 guess.

This rimelet holds a lesson which,
Should reach each youth who seeks his niche,
If footprints on the sands he'd make,
Some other fameward path to take,
Consider well how figures lie,
How early statisticians die,
And from the heterogeneous mess,
Hazard a 50-50 guess.

—S. B. Patterson, in the *Pyramid*.

*Our own pronunciation.

Industrial Earnings, Dividends and Income Yields

In view of the wide discrepancy between present industrial earnings and last year's—chiefly because of the unsettled conditions resulting from the war—our usual "Bargain Indicator" has been modified as below. The *dividend rate* given covers regular declared dividends on the yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The *yield on price* is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings' columns indicates a deficit for the year in dollars per share.

Companies Which Have Reported for 1918	Dollars Earned Per Share. 1914.	1915.	1916.	1917.	1918.	Present Div. Rate	Recent Price	Yield on Price	INTENDING PURCHASERS should make careful Comparisons, including former years. They should also read the Financial News and Comment for additional information. If a yearly subscriber, our Inquiry Department may be consulted.
Allis-Chalmers com.	...	2.34	7.98	11.17	11.62	$0	44	0.00	Showing up well.
Am. Agricultural Chemical com.	7.68	10.96	20.57	21.11	35.01	8	109	7.34	Earnings increasing.
Am. Beet Sugar com.	1.01	7.50	14.30	30.55	10.53	8	87	9.10	Results much better.
Am. Can com.	3.61	5.20	12.31	21.84	7.55	0	57	0.00	Cash needs delay dividends. Strong position.
Am. Cotton Oil com.	1.98	7.05	6.99	4.56	5.14	4	61	6.05	Enormous peace business.
Am. Hide & Leather pfd.	0.85	7.38	12.64	13.56	18.35	7	127	5.50	Bonds soon to be retired.
Am. Linseed com.	...	...	1.82	5.82	5.77	0	71	0.00	Earnings hold well.
Am. Locomotive com.	1.30	—13.00	36.07	21.81	16.64	5	83	6.01	Has large orders.
Am. Smelting & Refining com.	6.51	16.80	31.79	24.14	7.29	4	83	4.82	May explore for oil. High silver helps.
Am. Steel Foundries	—1.35	—1.20	19.89	30.19	13.69	3§	37†	8.01	Negative merger.
Am. Sugar Refining com.	2.90	4.99	18.46	20.09	16.45	7**	134	5.21	Plants running at capacity.
Am. Tobacco com.	21.04	20.06	22.70	25.21	33.45	20	218	9.10	Dividends recently declared; profits maintained.
Am. Zinc com.	1.82	54.92	139.52	11.08	0.00	0	24	0.00	Barely holding its own.
Baldwin Locomotive com.	—5.25	7.14	22.91	40.22	51.81	0	100	0.00	Increasing plant. Capacity orders.
Barrett Co. com.	10.31	21.19	32.84	20.54	18.77	8	137	5.85	Earnings increasing.
Bethlehem Steel com.	32.60	112.50	286.30	43.20	17.98	5§	90	5.55	Considering expansion. Will share foreign reconstruction.
Burns Bros. com.	8.40	12.11	10.03	21.27	18.35	10	150	6.67	Increased sales; record prosperity.
Butte & Superior	5.21	33.37	31.79	'.94	2.16	0	29	0.00	Decision unfavorable.
California Petroleum pfd.	11.54	7.80	8.44	12.41	16.43	7	83	8.45	Greatly increased earnings. High prices helpful.
Central Leather com.	6.41	10.82	33.14	30.42	10.44	5§	103	4.85	Increased earnings thru record demand.
Chino Copper	3.44	7.67	14.40	11.27	4.66	3	45	6.66	Dividend reduced.
Colorado Fuel & Iron com.	4.79	4.58	5.97	11.15	7.51	3	49	6.14	Earnings decline.
Continental Can com.	10.69	12.05	22.38	32.63	13.86	6	97	6.20	Made year's dividends on common in 4 months.
Corn Products Refining pfd.	7.73	10.62	20.39	38.05	29.01	7	108	6.50	Good showing.
Crucible Steel com.	2.94	5.39	45.89	42.13	48.25	0	92	0.00	Earnings increasing. Dividend policy ultra-conservative.
Cuba Cane Sugar com.	...	...	17.36	7.63	1.25	0	35	0.00	Earnings much better.
General Electric	11.12	11.57	18.31	26.50	14.77	8	163	4.91	Showing good return.
Goodrich (B. F.) com.	5.62	17.17	12.76	14.50	25.67	4	79	5.08	Large earnings expected.
Gulf States Steel com.	...	10.17	30.25	34.83	9.96	0	67	0.00	Common dividend passed.
International Agricultural Corp. pfd.	.65	—7.47	9.80	9.31	14.89	5	85	5.90	Earnings showing up well.
International Nickel com.	3.40	4.44	6.83	7.78	5.77	0	28	0.00	Completes readjustment. Nickel important peace metal.

International Nickel com.	3.40	4.44	6.83	7.78	5.77	0	28	0.00	Completes readjustment. Nickel important peace metal.
International Harvester	...	...	...	...	25.24	6	144	4.17	Has absorbed independent concern.
Kelly Springfield	5.18	7.16	9.19	12.03	20.78	4§	126	3.25	Regular dividends; record prosperity.
Maxwell Motor com.	.30	5.33	29.10	29.62	5.71	0	44	0.00	Merger pending.
Mexican Petroleum com.	4.78	4.93	15.79	10.23	21.70	8	186	4.30	Leads oil independents. Intrinsic values demonstrated.
Miama Copper	7.04	1.65	4.55	10.39	6.63	2	27	7.42	Results improving.
Midvale Steel	...	1.44	31.46	35.58	29.21	4	51	7.85	Pushing great expansion program.
National Biscuit com.	11.74	9.52	8.19	9.87	11.63	7	130	5.38	Record business prosperity.
National Enameling & Stamping com.	—0.32	2.02	11.67	23.39	13.94	6	80	7.50	Has bought coke and chemical company. Entrenched.
National Lead com.	3.73	4.86	6.16	15.44	14.46	5	81	6.00	Conservative policy. Domestic trade booming.
Nevada Consolidated Copper	.74	2.78	7.50	4.83	1.70	1½	19	5.52	Deficit for first quarter.
New York Air Brake	6.41	13.43	82.15	18.94	20.53	10	120	8.34	Munitions profits still to be added to accounts.
Pressed Steel Car com.	.14	3.60	15.01	10.04	24.61	8	84	9.50	Expecting increased prosperity.
Railway Steel Spring com.	—0.42	3.10	20.49	32.31	18.38	8	92	8.70	Increased demand for copper expected.
Ray Consolidated Copper	6.05	1.65	3.03	7.65	6.60	2	24	8.33	Dividends increased. Strong financial position.
Republic Iron & Steel com.	.56	6.49	47.67	51.88	22.22	6	90	6.66	Has bought steel company. Far-sighted.
Sears, Roebuck com.	21.31	17.57	26.14	19.29	17.63	8	200	4.00	Maintaining earnings. Should keep on improving.
Sloss-Sheffield com.	15.03	.21	.53	14.44	15.77	6	65	9.24	Earnings showing up.
Studebaker Corporation com.	12.79	27.46	26.14	9.11	10.39	4	106	3.79	Outlook bright.
Tobacco Products com.	1.03	2.31	5.44	9.32	17.00	6	105	5.72	Organized subsidiary export company.
United Cigar Stores com.	7.09	7.69	9.48	...	13.60	9	149	6.02	Doubled capital; expects increased business.
United Fruit	6.19	16.11	24.34	26.72	28.01	10	189	5.30	Prospects bright.
U. S. Cast Iron Pipe pfd.	.29	2.55	10.91	11.18	9.24	5	65	7.70	Getting big orders.
U. S. Food Products	...	...	...	...	31.13	2§	77	2.60	Earnings increased.
U. S. Industrial Alcohol com.	1.94	14.60	36.13	54.67	51.67	16	159	10.01	Withdrawn connection with American International.
U. S. Rubber com.	9.18	10.80	17.75	28.77	30.86	0	114	0.00	Earnings showing up well.
U. S. Smelting & Refining com.	1.60	13.93	20.46	5.14	8.75	5	68	7.35	Expecting big silver earnings. Leads producers.
U. S. Steel com.	...	9.96	48.46	46.29	22.10	5§	108	4.63	Big war equities. Reduced dividend conservative.
Utah Copper	11.66	5.34	11.03	24.46	18.46	6	89	6.72	Increased copper demand looked for.
Virginia-Carolina Chemical com.	3.40	7.55	10.39	10.92	24.24	4§	76	5.26	Progressive prosperity.
Westinghouse Elcetric com.	5.35	2.43	10.22	12.56	10.68	4	57	7.65	Outlook bright.
Willys-Overland com.	3.75	12.56	5.75	3.16	5.53	1	36	2.89	Expecting biggest year. A Ford rival.
Woolworth (F. W.) com.	10.87	13.19	15.57	16.72	12.43	8	130	6.16	Increased sales, record business.
	NO 1918 EARNINGS REPORTED								
	1913.	1914.	1915.	1916.	1917.				
Am. Car & Foundry com.	4.10	5.53	.77	2.39	27.36	8	104	7.68	Has foreign orders.
Am. Woolen com.	—9.89	—0.06	6.40	15.31	40.42	5§	115	4.35	Earnings increase.
Anaconda Copper	2.61	1.89	7.16	24.85	17.04	4	73	5.46	Outlook improved.
Great Northern Ore.	.71	.54	.70	1.39	—1.50	0‡	47	0.00	Showing good earning power.
Greene Cananea Copper Co.	2.33	1.97	1.04	7.03	5.05	0	43	0.00	Earnings gain.
Pan-American Petroleum	...	...	...	...	11.59	5	98	5.12	Large holder of producing companies.
Pullman Co.	9.28	9.04	8.80	10.32	11.36	8	126	6.35	Earnings steady.

†Re-capitalization; 3 shares new for 1 share old stock.
**3% extra in quarterly installments of ¾% each. §Extra dividends. ‡No regular dividend. Has made two distributions of $1 each and two of $2.

Current Stock Offerings

A REGULAR feature of "The Magazine of Wall Street" hereafter will be a brief presentation of the salient facts concerning current stock offerings. No opinion or rating of any kind will be attempted, and the purpose is purely to keep the reader informed on the more important issues. The plan will be to arrange the offerings in alphabetical order.

ARKANSAS NATURAL GAS. Operates in Louisiana, Arkansas and West Texas fields. Owns and controls extensive pipe lines for delivery of natural gas to communities in these states. Recently decided to develop oil acreage, and a vigorous policy along these lines is now being conducted. Outstanding Bonds, $4,800,500; preferred stock, $2,365,000; common stock, $7,500,000. Net earnings in 1918, $538,899.95. Officers and directors: J. C. Trees, Pres.; J. R. Munce, V. P. and general manager and W. J. Diehl, treasurer and secretary. Both stock issues listed on Pittsburg Stock Exchange.

F. E. BOOTH CO. 7% CUM. PREFERRED. Owns and operates a fish-packing and refrigerating plant at Monterey, a fruit and vegetable packing plant at Centreville, and a packing and refrigerating plant at Pittsburg, Cal., owns a number of steamers and fishing boats. Outstanding: $500,000 preferred stock and $750,000 common. Net before deducting Federal taxes in 1918 after depreciation was $280,537 compared with $440,325 in 1917 and $137,839 in 1916.

BOSTON MEXICAN PETROLEUM COMPANY. Owns, directly and indirectly, a 49/69 interest in the Boston Mexican Leasing Co., which is entitled to not less than 69% of the product of the Harmon Well, located in the State of Vera Cruz, and was brought in some years ago with a capacity of approximately 50,000 barrels daily. Leasing Co. has a very favorable contract with Cochrane, Harper & Co., on which it is expected that its net profits after all deductions will be from 7 to 8 cents a barrel. Estimated that earnings on the stock should at the rate of about $23 per annum. Outstanding: $222,000 6% notes due July 1, 1919, $124,711 conv. 4% notes, due July 1, 1920, and 23,659 shares of common, par $10. Trustees: Allan Forbes, Robert Munson, Philip Wrenn, Joshua Crane, Kenneth H. Lewis, Reginald Heath and Elton Clark.

BRITISH AMERICAN CHEMICAL. Plants located at Ridgefield Park, N. J., said to represent investment of about $1,600,000. Company manufactures symthetic and other chemical products such as aspirin, benzoate of soda and other derivaties of toluol and produces some of the standard dyes. Outstanding 25,000 shares 8% cum, pref. par $10 and 175,000 shares of common, par $10. Earnings last reported were around 25% on present capitalization. Officers: E. R. Wolfner Pres.: C. W. Embrey, V. P. and Manager; Newman Erb, Chairman of Board Directors: above three and B. J. Greenhut.

CONSOLIDATED CIGAR 7% CUM. PREFERRED. Will acquire properties of a number of successful and long established cigar manufacturers. These concerns produce more than 300,000,000 cigars annually and include a number of very popular brands. Properties include 24 factories located in a number of cities. Outstanding $4,000,000 preferred and 90,000 shares of common, no par value. President, S. T. Gilbert offered by Tucker, Anthony & Co. and Salomon Bros. & Hutzler at 97 and 20% bonus in common.

ERTEL OIL COMPANY. Has acquired straight commercial leases on twelve tracts of land in six different counties in Texas, where production has already been secured and where is apparently every reason to believe that drilling will result in production for the company. Properties have been selected after a careful study of local structure, existing production and methods of economical distribution of the product. Issued: 125,000 shares, par value, $5. Similar amount in Treasury. Officers: L. R. Eccles, V. P. Amalgamated Sugar Co., Salt Lake City; E. E. Ertel, Fort Worth, Texas; E. J. Barber, Barber Steamship Co., one of directors.

FISK RUBBER 1ST 7% CUM. PREFERRED. Company manufactures all forms of pneumatic and solid rubber tires for automobiles, trucks, motor-cycles and bicycles. Has had a four-fold increase in business since 1913. Old established company. Outstanding: 7% 1st cum. pref., $15,000,000, 2nd cum. pref., $6,344,700, common $9,345,000. Above issue is protected by carefully drawn restrictions covering maintenance of assets, creation of indebtedness, and payment of dividends. Dividends have wide margin of protection. Net assets per share exclusive of intangibles, $193, and net current assets, $135.

WILLIAM FARRELL & SON, INC., 7% CUM. PREFERRED AND COMMON. Company to acquire business, assets and goodwill of representative coal dealers in New York City. Reserve fund providing among other matters for payment of dividends on preferred. Its requirements well covered on basis of earnings by old companies. Estimated value of physical property and net current assets equal to about $4,800,000. Capitalization authorized and to be presently issued: Pref. $3,000,000 and 130,000 shares of common, no par value. Charter contains unusually strong provisions for protection of preferred. Management made up from personnel of companies acquired.

INVINCIBLE OIL. Corporation will be interested in about 83,643 acres of fee and lease hold oil lands in a few fields in Texas. Also has two refineries and necessary equipment. Present production approximately 3,500 barrels daily, and drilling now going on in proven territory. Corporation will start with at least $2,000,000 cash working capital and in addition have net quick assets of subsidiaries to be used for drilling purposes and other needs. Directors: Jules S. Bache and Sol Wexler of Jules S. Bache & Co., Craig Colgate of Colgate, Parker & Co., J. F. Perkins of J. M. Forbes & Co. Capitalization to be authorized and issued: $4,900,000 6% notes and $14,000,000 of common, par $50.

MARTIN-PARRY CORPORATION. Organized to purchase all the stock of Martin Truck & Body Corp. and Parry Manufacturing Co. Two concerns started in business over 35 years ago, and have become the largest two manufacturers of horse-drawn vehicles in U. S. Now turned business almost exclusively to making of automobile bodies. Capacity of 60,000 bodies annually. Expect benefits from consolidation to be considerable. Appraisal of company's assets in excess of $1,500,000. Profits from manufacturing business estimated at $7.50 per share annually. Authorized and outstanding: 100,000 shares of no par value.

SIMMONS COMPANY 7% CUM. PREFERRED. Company manufactures bedsteads, bed springs, couches and other metal works. Gross sales have been moving rapidly upward. In year 1918 earned about 4¼ times dividend requirements on preferred. Outstanding: $7,000,000 pref. and $7,797,300 common. Net assets equal to about $238 per share or preferred. Strong protection for dividends and as to creation of any mortgage on property.

WARREN BROTHERS 7% CUM. PREFERRED AND COMMON. Company owns a valuable patented process for street paving, and has a 17 year record of successful road building behind it. Company incorporated in 1900 for the laying of pavements. Expect record business in current year. Outstanding: $904,500 funded debt., 1st pref., $2,000,000, 2nd pref., $500,000 and comm., $2,000,000. Both classes of stock listed on Boston Stock Exchange.

READERS' ROUND TABLE

[Subscribers are invited to contribute to the Readers' Round Table Department. From our readers we receive many valuable suggestions and interesting ideas, and have inaugurated this feature in order that they may present their problems and their thoughts to their fellow-readers. We believe that this interchange of ideas will prove to the advantage of all. Send in your manuscript addressed to Editor, Readers' Round Table. No names will be used unless permission is given.—*Editor.*]

AN OPEN LETTER TO MR. FORD AND A REPLY

May 22, 1919.

MR. HENRY FORD, *President,*
Dearborn Publishing Co.,
Dearborn, Mich.

Dear Mr. Ford:

We have read with a great deal of interest the article by Mary Quincy, and entitled "What I found in Wall Street," which appeared in the April 5th issue of your estimable publication.

Now, we think one of the fundamental principles of your publication is to disseminate the truth, and we therefore call your attention to the fact that this story is not only misleading, but is far from truthful. It cannot be denied that there are dishonest brokers just as there are dishonest automobile manufacturers, physicians, in fact dishonest persons in every walk of life. If the author intended it to be merely fiction, we should not criticize it, but it is obviously intended to convey the impression that it is a true recital of actual experience in Wall Street. If this is the case, why does the author hesitate to mention the name of this brokerage house, since in the end the chief partner absconded with his customer's money?

The story is not only cheaply sensational throughout, but in our opinion is 80 per cent fiction and 20 per cent fact. Take one example for instance: The author says: "He was the first of four suicides in the office of X— & Co., during my five years there." The writer has been in Wall Street for 10 years and cannot recall any suicides in any broker's office or even having heard of such a happening. J. Arthur Joseph, who has been in the financial district for 30 years and who has been closer in touch with Wall Street than any one man we know, recalls but two suicides during that time, both being men who had lost money, but neither of them being customers of "lambs."

We submit that it is unfair and unworthy of a journal with high ideals, such as we understand the Dearborn *Independent* proclaims, to allow its columns to be used to create a biased and unfair sentiment against a part of a community which has played a role of great importance in our economic developments.

THE MAGAZINE OF WALL STREET is no apologist for Wall Street. Whenever it has found evils, it has combatted them vigorously and will continue to do so. But, we do believe in fair play and fair representation. To condemn all brokers as dishonest, would be as unfair as it would be for us to condemn all automobile manufacturers because of a recent motor company scandal.

Yours very truly,
THE MAGAZINE OF WALL STREET.

June 4th, 1919.

BARNARD POWERS, *Managing Editor,*
THE MAGAZINE OF WALL STREET,
42 Broadway, New York.

Dear Mr. Powers:

I thank you for your letter regarding Wall Street brokers. It is our intention to be fair and to use every precaution in getting facts. We got the Mary Quincy story through one of the most reliable agencies in New York. We took the precaution to write back for verification, but I assure you we will look into the matter further. We know that many people in the West and Middle West have and do lose money through crooked concerns. Our purpose is to warn them without injuring any legitimate business. We appreciate very much your writing us.

Very truly yours,
The Dearborn *Independent,*
E. G. PIPP, *editor.*

Editor, THE MAGAZINE OF WALL STREET:

You will possibly be called a Bolshevist or anarchist by a few members of the Exchange for having pointed out to the New York Stock Exchange in your issue of April 26 the necessity, propriety and ethics of periodic audit of members' books.

You say you do not know what the Exchange will do.

The investing public and the Exchange members of integrity will commend you for your thoughtfulness and timely advice and the Exchange, being composed of men and not political parasites, will adopt your suggestion as it is a step in the right direction. Sincerely,

——— ———

It Looks Forward

Editor, THE MAGAZINE OF WALL STREET:

May I be permitted to comment on one difference between your publication and all others that I know anything about? The others deal with the present and compare it with the past. You always endeavor to show the relation of the present with the future, as interpreted by the aid of general principles.

I have been a reader of your publication for years. I don't always agree with what you say, and I find that you are not proof against mistakes and errors of judgment. But you are always aiming at the mark—which is the future—and the man who aims at it certainly stands a better chance of hitting it than the one who aims at something else. For that reason, among others, I always expect to be a reader of THE MAGAZINE OF WALL STREET.—E. S. T.

Trade Tendencies

As Seen By Our Trade Observer

The average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital importance in the consideration of the long range prospects for securities. This Department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of many factors affecting the price of securities representing that industry the reader should not regard these Trade Tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.—Editor.

Steel

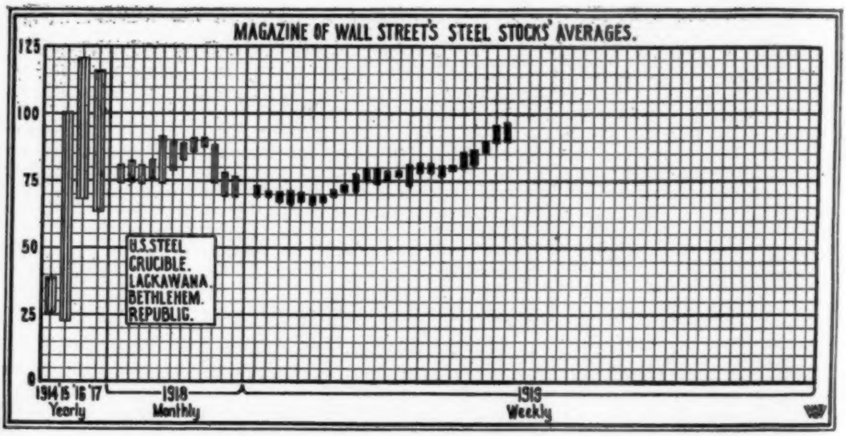
Business Steadily Expands

Inquiries are rapidly turning into orders and the trade is experiencing better business than at any time since the armistice was signed. It is quite evident that confidence has, in a great measure, been restored as the present buying movement embraces quite a diversified assortment of products and buyers are showing a disposition to enter into forward contracts.

As the result of the increased activities, some of the wire and bar mills are now up to 90 per cent of capacity operation. Other producers show an encouraging increase in the volume of business, and nearly all plants are working well over the low production point touched about a month and a half ago.

In fact, the market has almost turned to a seller's rather than a buyer's, especially on long time contracts.

Some producers are becoming wary of offering steel for long time delivery and are rather inclined to avoid such contracts as would tie them up until the first of next year, for example. Nor does the present buying movement include a large aggregation of small purchasers. About two weeks ago one of the largest automobile manufacturers in the United States contracted for 345,000 tons of bars, sheets, tubes and other products with the Steel Corporation. Other large automobile interests are negotiating, it is reported, such substantial orders. Probably the most encouraging feature of the revival, from the steel men's point of view, is the increased increase in structural business. Purchases of this sort are made for "investment" account and if builders have enough confidence in the future of steel prices to take structural steel at prevailing prices, buyers for steel products of all sorts are certain to place their orders hurriedly. It is, of course, realized both in the steel trade and out of it that any real revival in the steel business must necessarily depend upon the ability and willingness of "steel investors" to come into the market in volume. It is estimated that over one quarter of all of the steel business done comes from this source, and when these investors feel that steel is low



enough or is not likely to sell lower than prevailing figures for some time to come, consumers generally follow their cue. The chief deterrent to investment buying so far has been the fear that in a year or two purchasers of steel for permanent investment, as for example bridges, large buildings, etc., would be faced with a large depreciation on their investment in the event that steel prices decline seriously. Although there is still much to be desired from buying for investment account, structural business is opening up in an encouraging fashion. Bids for steel for several plants throughout the country, apartment houses and office buildings are being received in larger volume daily.

Another big branch of the steel demand is still in a dormant state. Railroad trade is still restricted to an abnormal extent by governmental control, and were the railroads free to place orders on their own initiative, some contracts for tonnage would be forthcoming at once. That the railroads are sorely in need of rails and other equipment is evidenced by the fact that 200,000 tons of rails were purchased by the Railroad Administration at a price which the same administration, in its controversy with the Industrial Board, claimed was excessive.

So far the "agreement by understanding" is holding well; as business has increased in volume there are more reports of price shading, but this is by no means general and buyers seem quite willing to pay prices based upon the old price schedule. It is now quite generally taken for granted that the steel producers meant what they said when they fixed the present price level as a minimum for 1919. All efforts to induce leading manufacturers to underquote this level have been unavailing but producers stand firmly on the ground that present prices are minimum on the basis of present costs. It is quite interesting to obtain the opinion of steel men as to the probable course of prices for the rest of the year. Reasons and arguments too lengthy to enumerate here simmer down to the view that prices are likely to stay around current levels for the rest of the year at any rate. Costs are not likely to recede much and therefore prices will have to remain at around the current levels. As far as an advance is concerned it is pointed out that the mills need business now and their capacity is quite large enough to take care of all orders that may come in for the rest of the year. As clear as it may seem, long term contracts are more desired by consumers than by steel makers.

Export Trade Increasing

At last some of the inquiries for large tonnage for export are being turned into actual orders. Hand to mouth buying, the policy since the first of the year, has expanded into fair contracts for future delivery. Foreign consumers are just as good judges of market conditions as domestic interests and are becoming convinced that price recessions are not likely. Italy, China, England, France and others have placed full sized orders already and there are many inquiries that can safely be called orders. The industry awaits only the actual signing of the Peace Treaty for the real and rapid expansion of foreign demand. The stimulation of the export consumption is bound to be reflected in better conditions at the domestic end.

* * *

Railroads

Congress Determined to Control Railroad Future

The attitude of Congress toward the railroads will be one of the most important factors determining their future, and in so far as this attitude has already shown itself, it seems to be one of resolve to make itself in fact, as well as in law, the guardian of the railroads.

In line with this was the passage of the Railroad Fund Bill by the House, which reduced the appropriation for a revolving fund for the railroads from the $1,200,000,000 requested by Director-General Hines to $750,000,000. Representative Good, Chairman of the Appropriations Committee, admitted that the sum authorized was too small for the railroads' needs, but said that it would carry them over until Congress made further appropriations. It is obvious that the intention here is to maintain control over the activities of the Railroad Administration by keeping a tight hold on the purse-strings.

That the same sort of Congressional control may continue to be exercised after the railroads have been returned to private ownership, as is now more than likely, was indicated by the introduction of a bill in both Houses to retain the Interstate Commerce Commission and extend its powers.

In any case the railroads will be expected to make use of the resources of the War Finance Corporation, which can lend them $700,000,000, and had already made advances to them amounting to $200,000,000. This was indicated in Representative Good's report to Congress on the railroad appropriation.

The trouble with this sort of piece-meal financing is that it cripples the Railroad Administration, just as it would the individual railroads, in their attempts to create a coördinate financial policy. It causes uncertainty as to the resources and financial needs of the railroads, inability to plan more than a short time ahead, and renders them powerless to take advantage of economic conditions as they arise.

The Hines Railroad Plan

All the plans that have been proposed for the solution of the railroad problem agree on the necessity of obtaining certain results. These have been summarized as: The elimination of wasteful competition in

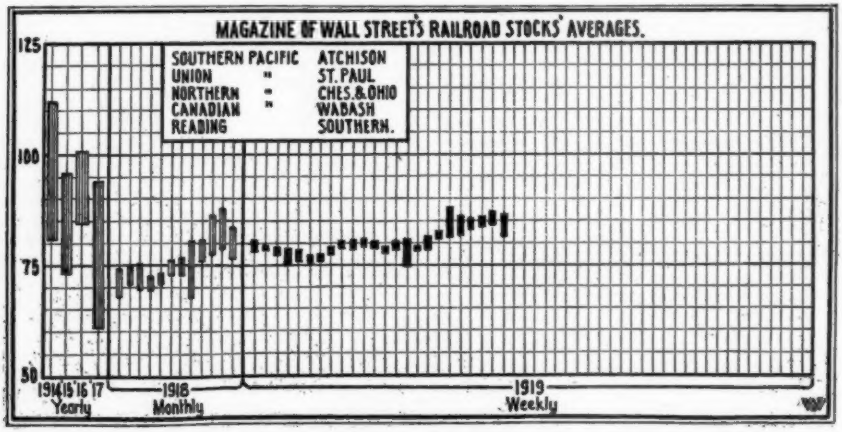
rates and service; Government regulation of the issues of new securities; cooperation between Federal and State commissions to bring about harmonious regulation, instead of the conflicts of jurisdiction which were a familiar feature of early railroad regulation; pooling of equipment and terminals, long advocated by progressive railroad men; and the maintenance of rates that will combine the advantages of fair income for the railroad and fair shipping costs and passenger rates for the public.

The plan proposed by Director-General Hines to accomplish these ends utilizes the so-called "Oldham plan" of regional systemization of the railroads, but insists that these systems must be competitive as regards each other, though not as regards the individual members of any one system. He would have from twelve to twenty of these systems, under a definite Governmental regulation which would be free from the uncertainty that has proved so detrimental to the railroads in the past.

Mr. Hines says that these proposed systems, to be just as well as successful, should include the "weaker" lines as well as the strong ones. He also suggests that the Government be represented on the Boards of Directors of these systems.

French experience with the zonal monopoly system of railroad operation under Government control, which is practically what is here proposed, has shown that the net result is a heavy burden on the Government resources, and a discouragement to new railroad construction. On the other hand, the scheme has usually led to efficiency of operation, and has also had the very beneficial effect of cutting out almost entirely personal and local discriminations and rebates, which have been a great grievance in the private operation of railroads, and, it is no secret, have not been entirely eliminated as yet by any means, in spite of legislation against them.

The competitive feature of the plan, too, will come in for a good deal of criticism from students of railroad affairs. Competitions was the great aim of the founders of Federal railroad regulation, and monopoly was regarded by them as the great evil. Our experience after the institution of the Interstate Commerce Commission has shown us that the first effect of competition in the railroad business is to build up an elaborate system of discriminations in the effort that each road makes to take away the other's business. The only alternatives to this are secret agreements to limit competition and traffic associations, both of which essentially are opposed to the competitive idea. In this country we have suffered from the worst effects of competition in destructive rate-wars, the building up of "trusts" helped by discriminations and rebates, and above all in the lack of coordination and efficient utilization of terminals and equipment.



Hence it is rather surprising to find the principle of competition still insisted on in Director-General Hines' plan as if it were still regarded as the unmixed blessing that the legislators of 1887 thought it was.

To his proposal that the weaker roads be united with the stronger much strength is added by the expressed willingness of many prominent railroad men to accept the temporary handicap which the weakness of the smaller roads will impose upon them. Doubt had been expressed in some quarters about this point, since it seemed to the outsiders a losing proposition for the larger railroad, but those on the inside have shown that the advantages of consolidation more than made up for the diminution in immediate income.

A hint of a movement for the retention of Federal operation, with Federal ownership added, was given at the recent annual convention of the American Federation of Labor, when a plan to this effect, proposed

by the general counsel for the thirteen railroad employees' organizations, was received with applause.

Copper

Has Copper Started Its Upward Climb?

At last the long-expected rise in copper prices seems to have materialized, and for the last three weeks copper quotations have been steadily going up. Copper was one of the latest of staple commodities to swing into line, but now that it has started experts are freely predicting that it will keep on going up until it reaches 20 cents a pound, as compared to the 15 or so at which it was selling last month.

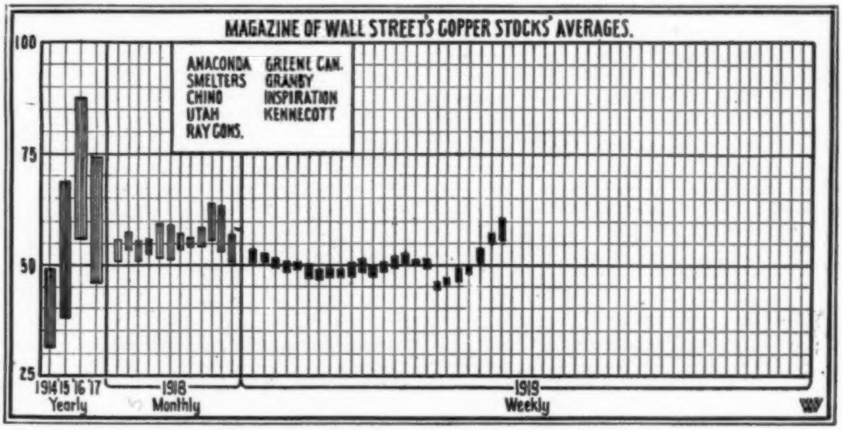
Already quotations on July copper are around 18 cents, indicating that some long-headed buyers are not going to take chances on being confronted with higher prices than they care to pay.

The demand for copper is now beginning to wake up to the fact that no further declines in the price can be reasonably expected, so many purchasers who have been holding back their necessary buying on the theory that copper was in for a fall have now reconciled themselves to the scale of prices now prevailing and are even making preparations to buy now lest worse things befall them if copper should actually hit 20 cents.

Incidentally, of course, this belated buying itself is one of the influences that is making for a higher price for copper. It is to be noted that in spite of the rise in prices and the livening up of the active demand, the leading copper companies are sticking to the reduced production schedule which they adopted some three months ago. According to this the average production of new copper is about 50% of what it was in wartime.

The reason behind this refusal to speed up production with increasing prices, which appears somewhat strange at first, is the necessity for the copper trade of getting rid of the huge surplus which has been accumulating since the armistice because of the comparative inertia of copper buyers. The latter have been acting, for the most part, on the idea that it was wise to postpone purchases until "things settled down," in other words, until they could get copper cheaper.

At the present time copper consumption, with the waking up of the copper demand to real conditions, has got to the point where it can just about take care of all the new copper that is being produced, compared with an average of about 75% utilization of the production of last month. Even on the reduced scale of production, that is to say, up to last month a little was being added gradually, month by month, to the huge overhanging surplus which is disquieting the copper trade today. Recently the consumption of copper has advanced till no more is being added to the surplus by current production, but still no progress is being made toward removing the accumulation.



Until this surplus is absorbed, however, the copper industry will not be able to get back to normal. Production schedules will have to be made out with reference to the capacity of the demand to get rid of the surplus until then—but once the surplus is out of the way, copper production will be able to go ahead at full speed, and business will go on "as usual."

The copper producers are counting for this extra consumption of their product on the building trades, for one. They figure that with so much delayed construction to be made up for, a good deal of American copper should be absorbed in the building and allied trades. Their expectations have not been fulfilled to any great extent as yet, because of timidity and disturbed conditions in the building situation, but that simply means that this deficiency of build-

ings in the United States has still to be made up. Looked at in this way, it is another bull factor for the copper metal market.

Another prospective market for American copper, though a much more speculative one, is Germany when the terms of peace have been definitely settled. Germany has had to get along without its accustomed quota of copper imports since the war started, and besides has used up the major portion of what she had for military uses. Hence she should be a ravenous consumer of American copper as soon as the embargo is lifted, and to the extent that the conditions imposed by the treaty permit of German manufactures.

Even without such a doubtful market, however, the American copper industry seems to have hit its true stride at last, and may be expected to reach a practically normal basis by another month or two.

Oil

Gasoline Becoming Very Scarce

With better weather conditions at hand, a large increase in the already heavy demand for gasoline is noticed.

Casual inquiry into the situation would lead to the opinion that with production of oil maintained or slightly increased, gasoline requirements could be easily met. This is not the case, however, and although refiners have so far been able to meet requirements without advancing the price, oil men believe that the expected increase in demand between now and the end of Summer is likely to cause a serious shortage.

There is only one way out of this embarrassing situation and that lies in the utilization of fuel oil. There is a large surplus of this product now and this situation is likely to prevail until the expected increase in demand for the low grade product materializes. Oil men are therefore bending their energies toward the further utilization of fuel oil for refining purposes. The fuel oil market is a poor one now and since there is such a heavy demand for refined products, the big companies are trying to bring things to a better balance. The one way out is to increase the use of cracking processes, and an effort is being made to stimulate the wider operation and extended installation of plants doing this work. All men realize that gasoline is selling high enough at retail and public disapproval of higher prices is bound to be felt.

Poor old Kerosene, the under dog of Gasoline, is at last coming into its own. Prices for this product are steadily increasing and a greater demand is apparent from month to month. The Summer time is usually a slack period, since the consumption of kerosene is reduced owing to its smaller use for lamps and stoves. Now, however, kerosene is being used to increase the gasoline output and directly in kerosene engines, farm tractors, motor boats, etc.

Little change is noticed in the actual fuel oil situation but despite the hardships now being experienced, the future looks brigth. For one thing, fuel oil is being introduced extensively into manufacturing plants, and its present low cost has a lot to do with its favorable reception. The hardest part of any new operation is its initial introduction and oil men are sure that once oil is introduced as fuel for industrial purposes it will not be replaced.

New Mexican Code Ready

While it is as yet impossible to obtain the exact terms of Mexico's new petroleum code, this document has been compiled and is ready for the Mexican Congress. Important interests intimate that the code will conciliate all interests affected. President Carranza, in his address to Congress, stated that the Government did not intend to initiate a system of control that would be detrimental to foreign interests. The chief purpose of the legislation would be to place Mexicans upon an equal level with foreign interests and particularly to do away with special privileges. Speculation as to the probable text of the code is rife, but new comments have not been forthcoming so far.

Very little change has occurred in the prevailing general oil situation or in the outlook for the future. Oil men in all branches of the industry, even including producers and maketers of fuel oil, are optimistic and look for a bright future. There are many interesting angles of the oil situation which cannot be treated at length here. The coal versus fuel oil situation is interesting and in various organs of the oil trade questions appear as to how soon the poor market for fuel oil will be strengthened. The campaign against fake oil promotions is being pressed more vigorously with telling results. In this connection our readers have been amply warned in this column and from time to time by special articles appearing in other sections of the magazine.

Motors

Filling Orders Chief Difficulty

The motor world is having the time of its life right now, and is enjoying the feel of the belated war-time prosperity that it had to forego during the war because of its preoccupation with Government orders. The industry is making up for it now, with unfilled orders extending from dealers to manufacturer and pointing to many, many months of good business. In fact, nobody knows how long it will take production to catch up with the demand, which has been starved since we entered the war.

Since the armistice, all the motor companies that had devoted their manufacturing resources to producing things needed for the winning of the war have been straining their energies to reconvert their plants from war uses to peace demands.

There was a good deal of uncertainty at first, due to the lack of precise information as to price adjustments, wages, and raw materials, but apparently the spirit now is to go ahead and not worry about possible declines in costs.

The market for automobiles and trucks would have been big enough if it had been simply a case of the ordinary supply being held up for a year and a half, and if only those people who would ordinarily have bought had to go into the market now to get the cars they have been doing without since 1917.

But to this ordinary demand has been added the buying power of those who were making extraordinary wages throughout the war period, and who at that time raised their standard of living for good. For many of these people, too, the wage-scales obtained at that time have not been lowered, thereby enabling them to remain potential buyers from the automobile industry.

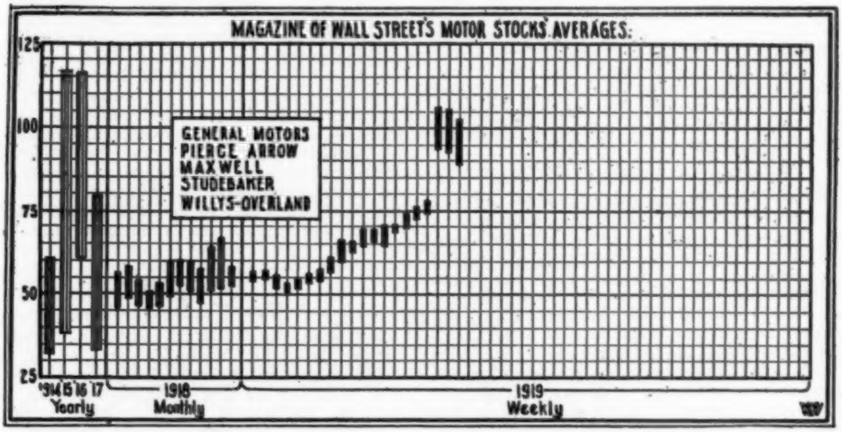
In addition, the saving habit has been inculcated into countless Americans who did not trouble themselves about it before. Among many of these there is the feeling that it was all right to make sacrifices and stint themselves for the sake of the country during the war, but that now the war is over, such heroic exertions are no longer necessary. These people find themselves with no desire to strain themselves overmuch in order to add to their savings, yet with a fair accumulation of the savings made at the request of the Government during the war period.

All these people are among those who are daily besieging the dealers with orders for cars and inquiries as to when their orders can be filled. It is not surprising, therefore, that a season of unexampled prosperity is being expected by the denizens of Automobile "Rows."

No Price Cuts Imminent

Quite naturally there is not much talk of price reductions in the automobile industry, with such a large and active demand. Some concerns which have not as yet announced any concessions from the advances made during war-times may shortly announce price recessions, but the trade is certain that no companies which have already cut down their prices in accordance with the expected fall will continue their reductions. A price war is declared to be highly improbable.

Automobile dealers hold out slight prospects of any relief for the car shortage before the end of summer. Some even say that production will be a long way behind demand until next spring. Until then, they say, it is foolish to delay purchases because of possible price reductions—there won't be any.



Grain

Record Crop's Effect

A record winter wheat production of 893,000,000 bushels, and a close-to-record mark of 343,000,000 bushels for spring wheat, is the feature of recent developments in the grain situation. To the farmer this means prosperity, however much he may howl about high labor and material costs; to the consumer, assurances that a food shortage is about the most unlikely thing that could happen to this country.

The Government has on its hands its solemn promise to maintain the fixed price of $2.26 a bushel no matter how much wheat is grown, but nobody knows exactly what it will mean to the Treasury Department. Shortly after the armistice everybody was talking of the strain it would be on the finances of the Government to pay the farmer $2.26 a bushel for a billion bushels of wheat, while the world price, as determined

by the Canadian, Argentinian and Australian supplies of wheat, was about $1.25.

Today it looks as if the Government's problem would be, not how to meet a great expense arising out of its promise to the farmers, but how it could avoid making a burdensome profit out of its operations in wheat at the expense of the consumer, who incidentally is a voter. High officials of the Grain Corporation of the Food Administration have expressed the opinion that there is, in all probability, a world shortage of food still, in spite of the cessation of war, instead of the much-heralded world surplus.

In that case the United States would still be in the position it maintained with so much effort during the war, the feeder of the nations of Europe. How much longer American wheat will have this great export demand to cope with is uncertain; much depends on the final outcome of the ferment of unrest in the great agricultural countries of Eastern Europe. If the Russian and Hungarian farmer does not return soon to productive work, and if the German and Austrian farmer remains hindered much longer by uncertainty as to the political status of his country, the American farmer will have to take their places in feeding a starving Europe.

Shortage of Shipping A Factor

What complicates this question for the Grain Corporation, which is in full control of the wheat situation here, is the ever-pressing shortage of shipping. This caused the cessation of grain sales by the Grain Corporation, to the neutrals of Europe, who until recently had been receiving unlimited supplies at about $2.60 a bushel, sufficient to cover the Government's own price for wheat, plus necessary storage, freight, and other incidental charges. Since the shortage became acute the Corporation has practically eliminated all shipments to the neutral nations, on the ground that it was up to them to provide their own shipping and that the United States could not afford to utilize its insufficient tonnage in one-way hauls of wheat to Europe with nothing coming back.

For the same reason the Grain Corporation frowns upon the export of Argentinian wheat in American bottoms, holding that either Argentina or the importing nations should be required to furnish the shipping. For this reason Argentinian wheat will probably not prove so dangerous a competitor to the American crop as is feared by the pessimistic. This is one of the facts that leads observers to believe that the strain upon Government financial resources of maintaining the fixed price of wheat will not be so heavy as originally expected.

In preparation for the handling of the record crop of this year, which will total 1,236,000,000 bushels, the Grain Corporation has cleared the decks for action. Its working capital has been increased from $150,000,000 to $500,000,000, which will be held in the name of the President of the United States. More important than that, however, is the new order whereby the President authorizes the Corporation to issue licenses for all millers, elevator-men, wheat handlers, flour dealers and bakers. By July 1 the new licensing system is expected to be in operation and the actual Government control of the wheat crop of this season, which started with the $2.26 guarantee, will be in full swing.

Officials of the Grain Corporation do not want this to be regarded as an indication of any substantial prospective drop in the price of bread or flour. They venture the opinion, however, that there will be no rise in breadstuff prices of any consequence up to July 1. Certain experts, however, still look forward to a fall in prices of wheat and wheat products when the new crop begins to move, as it will by the end of July.

The only bullish feature of the recent news was the fact that the forecast figures for the winter wheat crop, high as they are, represent a decline of about 7,000,000 bushels from the last monthly forecast. This loss was mainly due to the activities of the red rust, which, according to those who keep in touch with agricultural condition all over the country, is increasing its devastations to a large but undetermined extent. It would require a tremendous assault of the pest, however, to depress the country's confidence in this year's bumper crop.

Rubber

A Few Trade Opinions

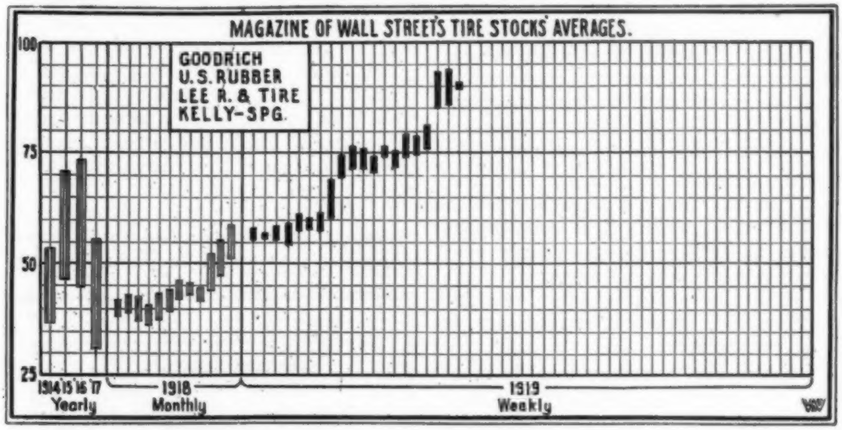
As with the tobacco, jewelry, finished drugs and other trades, a canvass of the more important manufacturers in the rubber industry to get their opinion on the present status and the immediate outlook for the trade was made by the National Association of Manufacturers. In all, 22 groups of industries throughout the United States were canvassed and the rubber industry is one of the five that reports good activity now and is confident of better business in 1920.

These five divisions, consisting of jewelry, silverware, musical instruments, automobiles and vehicles of all sorts, tobacco and rubber, report that business now is about 50 per cent of normal. In regard to present trade conditions, 20 per cent of the rubber industry reports excellent business; 42 per cent, good; 19 per cent, fair—and 19 per cent report, poor.

That optimism prevails quite generally throughout the industry is manifested by the report on trade prospects for the balance of 1919. Only five per cent of the rubber men think the outlook is poor; 15 per cent report fair, while 57 per cent report good and 23 per cent believe that prospects are very bright. There is not an oversupply of manufactured goods on hand

in the factories with retailers or jobbers either. As compared with the normal pre-war supply, 52 per cent of the rubber manufacturers report that stocks are low, 32 per cent report a normal supply and only 16 per cent are over stocked. The trade is about equally divided on the question of large buying orders in preparation for bigger business. On this subject 54 per cent report that buying is on a large scale and 46 per cent that it is no greater than under ordinary conditions.

Quite consistently with the view generally prevailing throughout other industries, rubber manufacturers believe that the large prosperity in their line must come from assimilation of their goods in domestic markets rather than in foreign ones. Answering the specific question, "Are domestic markets of more immediate attraction than foreign?" 76 per cent of the trade favored domestic markets and 24 per cent think that foreign markets are more attractive.



It is quite evident from this canvas, and it is even apparent from informal chats with leading figures in the industry that the outlook for the rubber trade is bright and that business is already on the up trend. All branches of manufactured goods are in good demand and indications point to an even greater demand for the reasons so often pointed out in this column.

As far as the automobile tire manufacturers are concerned, they expect prosperity never before experienced in their line. It is true that prices for tires have been cut by leading companies and others but this is certainly not because tires can not be sold at higher prices but material is not so scarce and the goods can be turned out at the same profits when sold at lower prices to consumers. A lower price range is expected to bring forth a larger volume of business also. The fact that tire prices have been cut out by these companies should not be regarded as an adverse factor but rather one that will eventually favor their finances.

Coal

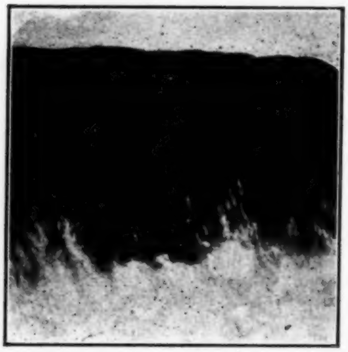
Basic Position Sound

Instead of worrying as to how long the coal mined in the anthracite districts will remain in the yards or the cars, operators are now having a difficult time meeting the urgent demand. Most of the anthracite operators have sufficient orders on their books to keep their mines working full time for the next two months, and it is really difficult in many cases for consumers to have their orders accepted. The total output of anthracite coal since the first of the year to date is somewhat less than for the corresponding period last year, but this is explained by the two or three months dullness that prevailed during the latter part of the Winter and in the early Spring. In short: the anthracite end of the industry is in excellent shape and operators are firm in the belief that good business will prevail for the rest of the year.

The situation has changed little in the last two weeks. The market has become somewhat duller except in those districts where it is difficult to obtain sufficient quantities of anthracite, but prices have been well maintained and operators are, in all cases, optimistic.

Labor conditions are a great deal better than prevailed a month or so ago and coal men expect that unless something changes the entire aspect of the situation any difficulties that may arise will be easily overcome.

As a whole, the coal trade is in a better position than at any time since the armistice was signed. It is true that business is not as good as it might be and the turn for the better was repeatedly delayed by many annoying interferences, (the most important of which was the controversy with the Railroad Administration) and although all of the obstacles to a real revival have not been completely removed, the more important ones are out of the way.



Montana Power as a Long Pull Investment

By JAMES SPEED

Its Consistent Growth—War Checked Expansion—Peace Prospects for Bonds and Stocks

IN discussing the Montana Power Company one inevitably encounters the name of John D. Ryan, for Mr. Ryan is the Montana Power Co. And rightly, for it was his vision that saw the need and opportunity for this vast project and it was his brains and ability which carried it to a successful conclusion.

Montana is not a "coal state." Such coal as exists there is of poor quality and difficult to mine. But, as though making up for this failing, Dame Nature provided a remarkable watershed apexing in the state which gives the Missouri and Montana tributaries a fall of 10,000 feet.

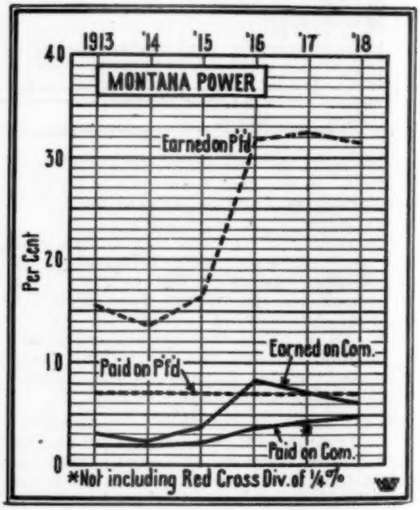
Mr. Ryan had not been long in control of the affairs of the Amalgamated Copper Co., before he perceived the possibilities of this great watershed as an adjunct not only to the operations of the Amalgamated Copper Co. (now the Anaconda) but as a source of power supply to the entire state. He placed his plans for development before the Amalgamated directors but it was decided that the project was too speculative for a mining company and he was left free to develop it in other quarters.

That he was successful in interesting responsible parties is shown by the following names which appear in Montana's directorate: W. E. Corey, Marcus Daly, A. H. Wiggin, Charles H. Sabin, Henry Seligman, W. D. Thornton, C. A. Coffin and H. P. Whitney.

Absorbing Possible Competitors

At the time Mr. Ryan first took up the proposition there were two power developments in the state, one at Butte and another at Great Falls, the latter controlled by the J. J. Hill interests. Both of these properties were taken over and very large sums of money spent in developing them. New transmission lines were run, new substations built and great storage dams, to insure a steady supply of water, were constructed.

It was not long before it began to be perceived that the Montana Power Company was to be an important fac-



tor in the development of the state. Naturally the Butte, Anaconda & Pacific R. R. was electrified and the recent electrification of the Mountain Division of the St. Paul Railroad's Puget Sound Extension was regarded

as a step forward in railroad engineering.

Discussing his part in the development of this great enterprise Mr. Ryan once modestly stated:

"It requires no great stretch of imagination to visualize the day when a continuous network of transmission lines will parallel the main railroads from the eastern Rockies to the Pacific Coast, conserving water power by using it and benefiting the general public by lower rates, increased comfort in traveling and an almost universal distribution of energy at less cost than 'white coal'."

The Montana Power Company made possible the mining of Anaconda ores at very great depth, where formerly water ran from the rocks at a temperature of 100 degrees. This was accomplished by the installation of an electrical ventilating system.

Once a Congressional investigating committee decided to look into the alleged Montana Power Co. "Monopoly" but to their unbounded astonishment Mr. Ryan admitted the monopoly without argument. He said:

"The company does 95% of the business in its line. It has a monopoly not only of the water power reservoirs, but of the market and that is because the service it gives is so good and the charges are so low that there is no possibility of any competition."

The Congressional investigators shortly decided that this was not the kind of monopoly they were gunning for and called off their dogs. The Montana Power Company continued in business as formerly and Nevada continues to lead the world in per capita consumption of electricity.

Properties and Earnings

Montana Power was incorporated Dec. 12, 1912, under the laws of New Jersey as a consolidation of Butte Electric & Power Co., Madison River Power Co., Billings & Eastern Montana Power Co., Missouri River Electric & Power Co. and the (old) Montana Power Co.

The Butte Electric Co. was organized May 29, 1901, to do a general light, heat and power business in Butte and elsewhere in the state of Montana. In 1905 it caused the Madison River Power Co. to be organized to do a hydro-electric power business and owns all the stock of that company. In 1908 it caused the Billings & Eastern Montana Power Co. to be organized to do a similar business at Billings and elsewhere in eastern Montana and acquired the stock of that company. In 1911 the Missouri River Electric & Power Co. was organized to take over at foreclosure sale all of the property owned by the United Missouri River Power Co. doing a general hydro-electric power business at Helena and elsewhere in Montana and acquired all of the stock. In December of 1912 the present Montana Power Co. was organized, which became the parent company, acquiring all of the above named companies. In 1914 the Montana Power Co. purchased the Havre Electric Co.

Montana Power furnishes electric light, heat and power for municipal, industrial and domestic purposes in the following principal towns: Anaconda, Butte, Billings, Boulder, Hot Springs, Great Falls, Livingston, Harlowton, Logan, Judith Gap and Helena. The territory served embraces

GROWTH OF MONTANA POWER'S SAVINGS

Year	Total Op. Rev.	Total Inc.	Times Bond Int. Earned	Earned on Pfd.	Paid on Pfd.	Earned on Com.	Paid on Com.	Surplus in Year
1913..	$3,532,162	$2,421,424	2.9	15.6%	7%	3.1%	2%	$ 303,208
1914..	3,720,601	2,639,239	2.1	13.7	7	2.4	2	111,963
1915..	4,231,223	3,167,505	2.2	16.4	7	3.7	2¼	397,033
1916..	6,219,148	4,753,282	3.2	31.8	7	8.5	3¾	1,339,150
1917..	6,905,256	4,889,032	3.0	32.5	7	7.0	*4½	811,443
1918..	7,558,741	5,136,305	2.8	31.5	7	6.1	5	456,961

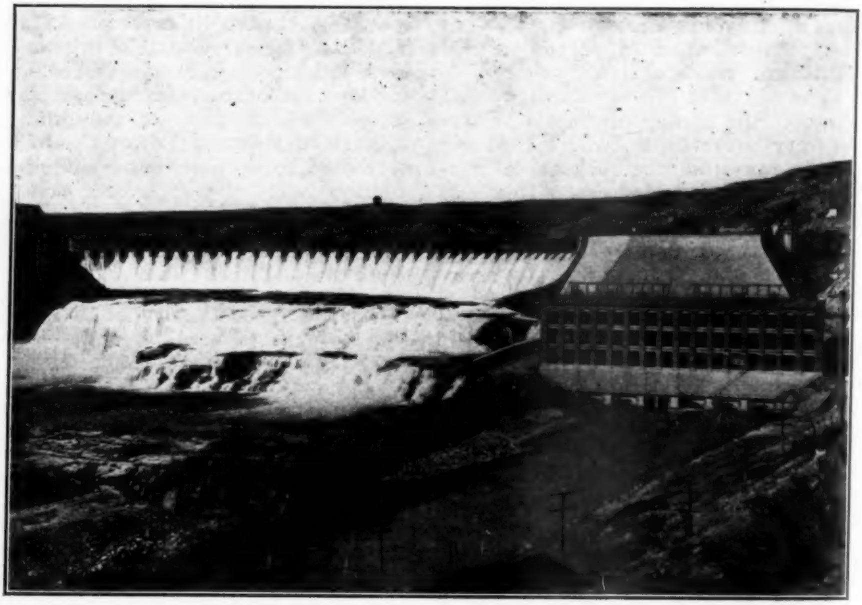
*Not including Red Cross dividend of ¼%.

the principal agricultural, timber and mining sections of the state and includes practically all of Montana's large cities and towns. At the time of the last annual statement the company had 41,039 customers on its books. Plant capacity in operation consists of 211,530 k. w. and a steam reserve of 810 k. w. Undeveloped water power in reserve totals 121,500 k. w., making a total of 333,840 k. w. in operation and in reserve. The company has a total of 1,922 miles of transmission lines.

Montana Power has two big contracts calling for 60,000 k. w. annually. One is with Chicago, Milwaukee & St. Paul Ry. for electric power to operate about 430 miles of the main transcontinental lines from Harlow, Montana, to Avery, Idaho. Contracts made with the road run for 99 years and call for 20,000 k. w. annually. The railroad is bound to pay for 12,000 k. w. annually and took options on an additional 30,000 k. w. which options must be exercised one-half in five years and one-half in ten years, but not less than one-half of the option must be taken, if any.

In 1916 the company made a contract with the Anaconda Copper Co. The cost of this development was to supply current for the operation of the new electrolytic zinc plant of Anaconda which will require 30,000 k. w. for its operation.

New construction was postponed as far as possible during the war period but now the company will go ahead with its development plans. The company's new plant at Holter began operations July 1 last and developed a capacity in excess of 50,000 k. w. approximately $3,800,000.



Montana Power's Largest Development, Great Falls, Missouri River, 60,000 K. W. Capac.

The tabulation herewith shows the company's annual earnings since incorporation and is a record of rapid and consistent growth. Comparing the 1918 results with 1913, the first year of the company's operations, one perceives that its revenues have more than doubled in six years' time.

Earnings for the first quarter of the current year as compared with the same period in 1918 were as follows:

	1919	1918
Earnings	$1,882,802	$1,891,628
Oper. exps. & taxes, incl. Fed. inc. & war taxes	639,909	535,374
Net earn.	$1,242,893	$1,356,254
Int. and bond discount	453,659	380,774
Surplus	$789,234	$975,480

Position of Securities

Montana Power has an outstanding funded debt of $22,340,000 first and refunding sinking fund 5s due July 1, 1943, with $638,000 of this issue still in the company's treasury. With the outstanding bonds of its subsidiaries the company has a consolidated funded debt of $33,244,000. The first 5s are a lien on the company's entire property and are redeemable at 105 and interest beginning July 1, 1918. They are due July 1, 1943, and their yield to maturity is slightly more than 5½%. For the investor who is concerned primarily with security of principal this issue might prove attractive but in view of its relatively low yield it cannot be regarded as specially desirable from the income standpoint.

There is an authorized issue of $25,000,000 7% cumulative preferred stock with $9,671,800 outstanding. This issue is redeemable as a whole or in part at 120 after three years from date of issue, i. e., the preferred became redeemable January 1, 1916. At 107 the preferred returns approximately 6.5% so that the same observation might be made about the preferred in respect to income that was made about the bonds. But the possibility of redemption at 120 lends attractiveness to the issue and at 107 the issue is ten points under the high price made in 1916 and 1917.

At 80 the common looks attractive for a long pull investment. The yield is only 6.2% which does not make it especially a "bargain," but in view of the excellent management, the splendid record of earnings and the favorable prospects for the company one is warranted in concluding that it will eventually sell much higher. In 1916 and 1917 the common sold at 114⅞ and 109¼ respectively while its high price last year was only 81½.

The concern is a growing one, however, and as it obtains its power from nature rather than from man it is not subjected to the same burden of increased costs that other power concerns which are not hydro-electric are obliged to contend with in these times. The electrification of railroads will undoubtedly be considerably developed in the next few years and Montana Power is in a position to supply power for electric service to the Great Northern and the Northern Pacific. In fact it was announced shortly before this country entered the big war that the company would enter into contracts to furnish power to those two great roads.

FAMOUS PANICS

1814—August 31, failure of New York and Philadelphia banks.
1818—October 30, U. S. Bank contraction of bills.
1837—May 15, refused to extend charter of U. S. Bank.
1857—August 24, failure of Ohio Life & Trust Co.
1869—September 24, Black Friday. Jay Gould's corner in gold.
1873—September 18, failure of Jay Cooke & Co.
1884—May 4, failure of Grand & Ward Marine Bank.
1890—November 11 failure of Baring Brothers.
1901—Northern Pacific Panic. Struggle to control.
1907—March 14, tight money.
1914—Great World War. Exchange closed from July 30 to December 12.

Nevada's New Treasure House

By ARTHUR W. CLAYTON

Deep Developments At Tonopah Divide Foreshadow Silver Bonanza Mine Worth Many Millions Of Dollars

IF you remember the "Acre of Diamonds" legend about the man who spent his life traveling all over the world in search of the precious gems—only to return home to die and stumble upon the richest diamond mine in existence right in his own back yard—then you can have some conception of how natives of Tonopah, Nevada, feel about the now famous Tonopah Divide discovery.

Right in the very town of Tonopah's "back yard" and within plain sight of an old wagon road leading to the famous Goldfield Camp about twenty miles away, is being developed a mining property which now bears tangible evidence of becoming one of the richest silver producers since the days of the great Comstock Lode.

Early History of Camp

Nearly twenty years ago or in May, 1900, to be exact, silver ore was accidentally discovered in what is now known as the Tonopah Mining District. The story goes, that a mining prospector—Jim Butler—was somewhat aimlessly prospecting the desert lands of southern Nevada in the hopes of finding mineral "outcroppings" that might indicate the presence of ore bodies. In those days, geology was not so well known as it is today and discoveries were more or less a matter of luck rather than the result of scientific observations. Butler, it seems, camped for the night as usual after having tied his pack mule or burro to a clump of sage brush. Upon awakening in the morning, Butler found that the burro had broken away during the night and wandered on his own account. In breaking away, however, the burro had uprooted the sage brush to which he was tied and the small hole in the ground which consequently was made, contained indications of ore.

Although Butler knew that he apparently had made a "find," yet the nature and extent of his discovery were not then realized by him. As a most natural human feeling, however, he kept quiet about his findings and promptly staked out as many claims as the law permitted. These claims were officially recorded a few months later (August, 1900) by which time the news leaked out that silver was discovered at Tonopah. From all corners of the world men swarmed to the new district and thus, according to the story, began the mining life of Tonopah, a district which is said to have produced millions of dollars in silver and gold since that time.

Among the thousands who found their way to Tonopah were a couple of prospectors, Dick Rochelle and Jake Runsgey. Being practically shut out on ground near to the original discovery, these adventurers wandered elsewhere in the district and chanced to come upon some surface indications of gold near the top of a small mountain. Specimens were quickly gathered and taken to the Tonopah, but cynical miners who apparently had their minds set only on silver were inclined to make light of the "discovery." The location was dubbed "Gold Mountain" and the prospector was nicknamed "Gold Mountain Dick."

Assays told quite a different story, however, and as the results became more widely known, interest ran at fever heat and this time the rush was for "Gold Mountain."

The original discoverers, thinking that their find was of little value, sold their claims to a group of mining men who organized the Gold Mountain Mining Company. Development work was started, but the immediate results were not as glowing as had been anticipated. Shortly afterwards rich gold discoveries were made about twenty miles away at Goldfield—another camp, and the impatient mining hordes immediately flocked to the

new location. This started the famous Goldfield boom which so completely overshadowed the other, that Gold Mountain became practically deserted.

Meanwhile, the Gold Mountain claims were leased from time to time and shipments were made in a desultory way. Expenses exceeded income until finally in September, 1910, the property was given up to satisfy loans of only about $10,000 which had been made by a banking corporation of Tonopah.

Tonopah Divide Is Formed

At this time H. C. Brougher and George Wingfield (the present controlling interests in Tonopah Divide) entered upon the scene. These men had been prominently identified in the Goldfield boom and were well known in Nevada mining circles. Having a spark of faith in Gold Mountain's future, they purchased the property and early in 1912 formed the Tonopah Divide Mining Company to take over the older company. Being without funds, the new corporation gave its notes in exchange for the Gold Mountain claims and Gold Mountain stockholders were invited to exchange their holdings, share for share, for Tonopah Divide stock plus an assessment of three cents a share. It is said that very few of the Gold Mountain stockholders had enough faith in the future of their property to put up any additional money, with the result that Brougher and Wingfield were obliged to take the remaining stock.

Other mining affairs claimed their attention and meanwhile the old Gold Mountain property was turned over to lessees who were willing to take a chance on finding gold, the silver indications not being considered of sufficient importance to warrant the expense of systematic development work. Again results were not encouraging and the outbreak of the European war put a damper upon any possible aggressive operations at the property.

Brougher retained his faith in the gold possibilities of the claims, but apparently his partner Wingfield did not share this confidence and after Brougher offered to buy his partner's interest, Wingfield again had the property examined by a mining engineer. The report was unsatisfactory and Wingfield accordingly disposed of his interest to Brougher who became the dominant figure in the company.

Brougher proceeded to continue development work and early in 1917 Mine Superintendent Watters sank a shaft near the base of "Gold Mountain." After going down about 165 feet, a crosscut was started in a southwestern direction and after operations had progressed for approximately 150 feet, ore was encountered.

The samples were anything but attractive in appearance, but assays were made immediately and showed silver-gold values running from $27 to $70 a ton.

Brougher, who was then in Oakland, California, was notified immediately but thought his mine superintendent had made a mistake in his telegram, it is said, as Brougher expected gold, if anything, to be found on the property.

Brougher hurried to the mine and upon seeing for himself what silver values were encountered, informed his former partner Wingfield about the discovery and offered him the opportunity to buy back his original holdings. Investigation this time was favorable and Wingfield acquired a block of stock, but it is reported, at somewhat higher prices than those at what he had previously disposed of it, although later development work apparently has enormously increased the value of his holdings.

Further samplings were made of ore which showed higher values and it was decided to sink the shaft another 100 feet.

Upon reaching the 265-foot or second level, another crosscut was started and the same ore body was again encountered, which indicated that it ran down perpendicularly for 100 feet from the first level.

Ore Body Becomes Richer

As values increased at depth, it seemed as though the richest part of the orebody was yet to be encountered. The shaft was accordingly sunk to the 365-foot or third level and exposed for a distance of 420 feet even a larger and richer orebody than on the 256-foot level. Various crosscuts were driven at a distance of 50 feet apart and showed a width of from 10 to 60 feet of ore, the

richest of which is said to be a blue-black clay thickly studded with silver.

Shaft sinking was continued to the 465-foot or fourth level and values up to 2,604 ounces of silver to the ton is reported to have been taken from samples!

Vice-President Wingfield is reported to have said in this connection:

"The drift on the fourth level has advanced to a point below the middle of the third level slope. Ten feet from this point the crosscut has been advanced 15 feet south and raise driven 20 feet.

"The first 110 feet of the fourth level drift, averaging its full width, is showing values at $148 a ton. We are not certain of the width as the ore in neither wall is exposed.

"The raise near the center of this stretch is averaging about $60. Beyond this stretch the drift apparently left vein, and from work accomplished we cannot expect it to be in big bulge.

"We formerly used a small three-drill air compressor on the work, but now we have installed a new 10-drill compressor.

"We will extend the fourth level drift and raise under the bulge crosscutting both ways. We will also advance the fifth level crosscut.

"The expert opinions given me by the most eminent engineers in the country who have inspected the Divide property cause me to believe that there is no doubt that the big shoot at bulge extends downward to the fourth level like the first big shoot. The formation is the same and all conditions support this belief.

"Various slopes and raises heading to best expectations. Last night's report shows lowest assay to be above $50. Our new equipment will insure faster development hereafter.

"We only drifted the fourth level distance on a straight line for 250 feet, having lacked time and compressor capacity for other work."

Work has started on deepening the shaft and crosscutting operations have been repeated on the 585-foot or fifth level, which already has been reached. Recent Tonopah advices state that the Tonopah Divide mine's crosscut on the fifth level is making rapid progress and that the master orebody is likely to be encountered at almost any time. Should the sensational silver values upon the upper levels continue to be repeated at greater depths, it is evident that Tonopah Divide will prove one of the "bonanza" silver mines of the world.

Silver values still dominate the ores encountered up to this time, accompanied by gold and molybdenum. Molybdenum appeared mostly in samples of ore taken from the 165-foot or first level and resulted in a low mill extraction owing to the amount of cyanide required in treatment. It is proposed to remove the molybdenum before cyanidation, however, and as this milling deterrent has practically disappeared from the ores found on the 365-foot or third level, no shipments are being made from the upper levels at present. Reports indicate that $2,400,000 of ore has been developed between the first and third levels. Various estimates, some as high as $10,000,000, have been made of the combined ore values developed, but due allowance must naturally be made for enthusiasm and for the omission so far of average values in reports emanating from Tonopah. That Tonopah Divide nevertheless is a very valuable property is borne out by reports of engineers who have visited the mine, but it is obviously impossible to state with any degree of certainty at this time, just what it is probably worth. Should the orebody continue to the same depths reached by the neighboring mnies in the Tonopah and Goldfield Districts—about 1,500 feet—the ultimate value of the property may run into many millions of dollars. Further developments will throw additional light upon this point.

Present Production Pays Expenses

At present the mine is shipping from forty to sixty tons a day. The company has signed a one-year contract dated March 1, 1919, with the MacNamara Mining & Milling Company calling for the treatment of a minimum of 40 tons a day and a maximum of 60 tons. The mill has a rated capacity of 3,000 tons a month and it is possible may soon take on more ore from Tonopah Divide. Returns from current shipments of Tonopah

Divide are understood to be more than paying the Company's operating expenses, but it is evident that as additional development work goes on, a progressive increase in output will follow which naturally will involve the construction of a mill for Divide's exclusive use when the company's possible requirements are better gauged. In this event, new financing will be necessary.

According to reports, an extraction of around 92% is being obtained from Tonopah Divide's ore. Based upon treatment of the 40-ton minimum by the bill and average values of $50 a ton, indicated income would run about $43,000 a month. No reliable estimate of income can be made, however, until the mine is on a more established basis.

The dazzling record of silver development at the mine has been followed by an equally sensational movement in the prices of the stock which is traded in on the New York Curb.

When Brougher organized Tonopah Divide, it will be remembered, stockholders of the old Gold Mountain were permitted to exchange their holdings share for share in the new corporation upon payment of a three-cent assessment. Few took advantage of this and less than two years ago, the stock was offered at less than 15 cents a share.

As results of mine developments were announced, prices moved upward to 20 cents; then in less than six weeks shot to $1.15 a share by March, 1918. Last year the high for the stock was $2.06¼ with a low of $1.37½ for 1919. A buying movement was precipitated early this year as glownig reports from sources not identified with the management became known, with the result that a market price of $12 was reached in April, 1919, an increase of more than 5,000% since the low of 20 cents in March, 1918!

A slight reaction has taken place since to around $8.50 a share, on which basis the mine is selling at a market valuation of about $8,500,000.

The company is capitalized at $1,000,000, par value of shares $1 each, of which 739,300 shares were reported as outstanding according to latest available reports. Brougher and Wingfield are said to hold about 600,000 shares, leaving a floating supply in the neighborhood of only 150,000 shares—which may account for the violent rise in the prices of the stock. The company's holdings comprise nine patented claims covering about 112 acres about six miles south of Tonopah, where transportation facilities are afforded. H. C. Brougher is still president of the company with George Wingfield as vice-president.

Market Rise Attracts New Companies

The spectacular market rise in Tonopah Divide shares has lead to the formation of the usually large number of new mining companies which follows any rich discovery of mineral wealth, some hoping to find ore while many others hope only to "clean up" in the sale of shares of little or no value. It is said that the silver orebody in Divide extends from northwest to southwest where a fault or "break" in the silver vein formation occurs. Whether the orebody will be picked up in any southeast ground is extremely problematical, although the northwest extension points to the mineralized section possibly entering the Brougher Divide, a property adjoining Tonopah Divide on the north and dominated also by H. C. Brougher.

To the south of Tonopah Divide lies the Gold Zone Company's holdings into which some mining men think the gold indications extend from the former mine.

It will be remembered that Brougher originally was looking for gold when silver was encountered instead. This has tended to dim the gold prospects of the mine in which connection A. I. D'Arcy, consulting engineer is quoted as saying "The huge vein in the cut in the Divide is known as the 'silver vein' and is the center of attraction, but lying far to the south of this is the 'gold vein' forgotten by the public, but not by the management, and it is planned to further explore this on the fourth level. The 'silver vein' strikes southeast and the 'gold vein' almost due east."

Reports indicate that the "find" in Tonopah Divide, as previously stated, may prove to be one of the greatest silver-gold bonanza ore-bodies in the romantic history of mining. The future will determine that.

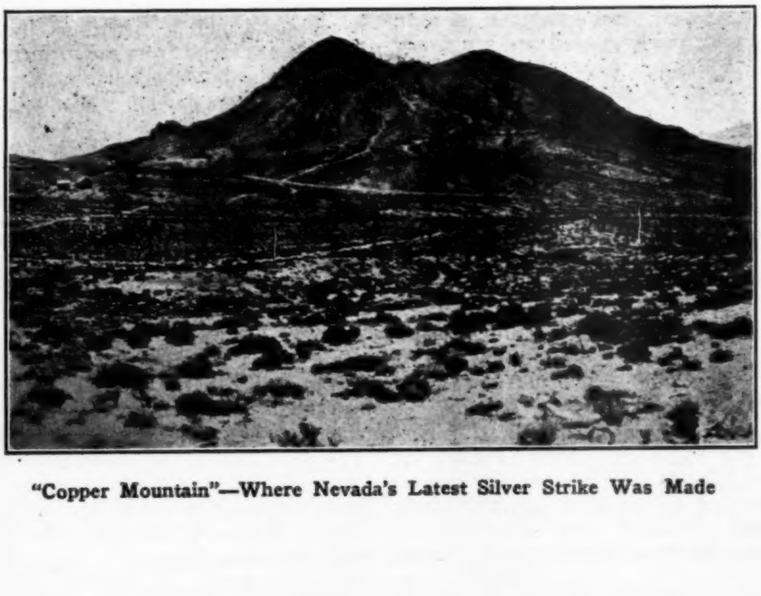
Meanwhile the viewpoint of some cynical people who remember the Goldfield excitement in 1906, and particularly the history of Goldfield Consolidated, with which Wingfield was prominently identified, is whether the Divide boom is going to develop any points of similarity.

Big Merger Hinted At

Up to this time, Tonopah Divide appears to be the only property in the camp with a proven ore body, and the sensational market career of the company's shares has caused the formation of more than one hundred companies who are selling stock literally hand over fist. The Brougher-Wingfield interests are not only identified with Brougher Divide, but with numerous other properties in the district whose present chances of "making good" are regarded as somewhat remote, to say the least. It is hinted that a big consolidation of properties may take place one of these days with Tonopah Divide as the nucleus. Brougher-Divide and Gold Zone are among the present better known companies mentioned, but it is thought that numerous other properties will be brought into the merger. If this should take place, the promoters evidently will be in position to make a "barrel of money," and any prospective stockholder with a weak heart or indigent pocketbook might do well not to place any additional strain on them.

The silver discovery of Tonopah Divide is indeed timely. Coming, as it has, with silver selling at double its pre-war prices and prospects of a rise to higher levels, it opens up a potential source of wealth which as yet cannot even be approximately estimated. The old Latin motto, *Tempus omnia revelate*—"Time reveals all things," applies, however, in connection with Tonopah Divide.

Those interested in the future development of the property may find it to their interest to keep a weather eye upon what is going on at Divide—alongside of which the tide of human traffic moved to and fro for nearly twenty years in search of wealth and in all that time passed within a stone's throw of what bids fair to have proved their "Acre of Diamonds."



"Copper Mountain"—Where Nevada's Latest Silver Strike Was Made

Texas Company—An Oil Titan

By JOHN MORROW

Rapid Spread of the Organization—Financed by Stock Issues—Big Working Capital—Dividend Record and Investment Prospects

INVESTORS seem just now to believe that all oil companies are going to make fortunes. A few oil companies, outside of the Standard Oil group, have already made them. Texas Co., perhaps the best known of the Independents, is one of those so favored, and the company has reached the stage where it is frequently used in the alluring prospectuses of new oil ventures as an illustration of the possibilities held forth by the petroleum industry.

Amazing is often a loosely used word but it fittingly describes the progress made by the Texas Co., familiarly, if incorrectly called the Texas Oil Co. Not longer ago than 1912 the Texas Co. did a gross business of only $14,529,000 and earned but $8.16 a share on $27,000,000 capital stock. In the fiscal year ended June 30, 1918, earnings were $29.75 a share on $69,375,000 capital stock, and the gross volume of business done had grown to $80,206,663.

It would not be strictly true, and would be a compliment that the management of the company would disclaim, to indicate that this wonderful climb to prosperity was due to the particular and specific efforts of those responsible for the conduct of the company's operations. There is probably no one in the country who has not at least a reading knowledge of the titanic stride made by the oil industry during the past five years. A vastly increased world demand for petroleum products has gone hand in hand with rising prices for those products.

The competency of Texas Company's management has enabled it to keep fully abreast of developments and to take full advantage of the opportunities afforded. It has been the policy of the company to lease or purchase good acreage in new oil fields where favorable prospects were demonstrated. Not only has the company done that, but has generally followed the drilling of producing wells with pipe line facilities and the expansion and enlargement of refinery capacity at strategic points. The company is a complete unit from production to marketing. Its sales stations are scattered over all the country, and "Texaco" is a familiar word. Texas Co. does not produce all of the crude oil that it refines, but it has been estimated that the proportion is probably 60% or larger.

Financing the Business Growth

A remarkable feature in connection with the development of the business of the corporation is the fact that the greater part, in fact practically all of the money raised in the past ten years, has been through the sale of additional stock to shareholders. In other words, the participating or partnership interest has been increased and more widely distributed while the creditors interest or funded debt has been kept at a minimum.

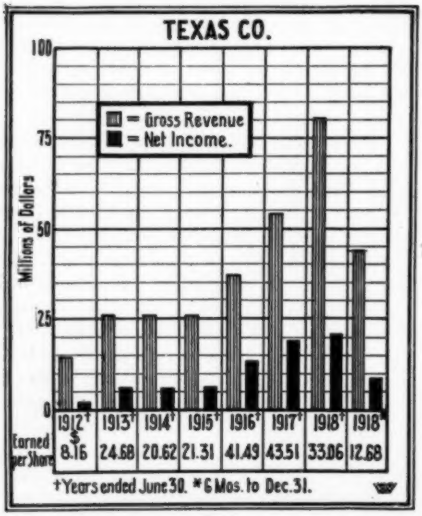
This is illustrated by the fact that whereas in 1912 the amount of capital stock outstanding was $27,000,000, and the bonded debt $14,700,000 including the issue of serial notes, since retired, while at the end of 1918 capital stock outstanding was $69,375,000 and bonded debt $15,415,000. In 1912 the proportion of funded debt to stock was about 50% while in 1918 it was only about 22%. This proportion has been since widened by the issuance of $15,615,000 new stock which was offered for subscription at the end of 1918 at par, and which increases the total amount of stock out to $85,000,000.

Through the issuance of the additional stock, the company has obtained about $35,000,000 in cash money which has been used to acquire new properties, expand existing facilities, and to

strengthen working capital. Practically all of these stock offerings have carried with them valuable rights for the shareholders as the additional stock has been offered at par or $100 a share, and the range of market price over the past seven years has been high enough to establish a substantial value to the rights. These frequent subscription rights offer one reason for the high prices maintained for the shares on the New York Stock Exchange.

Spread of the Organization

Texas Co. has not restricted itself to any one particular territory in locating



producing acreage. The properties are located in Kansas, Oklahoma, Louisiana, Texas, Wyoming and Mexico. The greatest ownership lies in Texas, where over 36,000 acres are owned, and in excess of 1,000,000 acres leased. All told the acreage leased and owned is about 1,700,000 acres. There are five refineries situated at Dallas, Port Arthur and Port Neches, Texas; Tulsa, Oklahoma and Lockport, Ill. Through the pipe line subsidiaries Texas Co. controls 1,600 miles of pipe lines, which tap the Louisiana, Oklahoma and Texas oil fields.

Complete as these facilities seem, they constitute only a part of the organization. Terminal stations are maintained in Europe, and there are 11 terminals at various points along the southern and eastern coasts of the United States. The company's tank fleet exceeds a tonnage of 130,000 tons. In fact a recital of the facilities owned and controlled only serves to emphasize, if such emphasis were needed, the completeness of the corporation's organization, and its excellent position to participate in every active branch of the industry with which it is connected.

A word about the properties in Mexico. These are controlled by the Texas Co. of Mexico, and are situated in the Topila and Tepetate district, both sections, where oil is found in plentiful supply. Pipe lines connect the field with stations at Port Lobos and Tampico on the coast. In April, 1919, the Texas Co. stood fifth among the producers and shippers of oil from the Mexican fields.

Texas Co. has not been regardless of the possibilities of the now famous Ranger field in Texas, and a substantial portion of the proceeds of the sale of the last offering of stock was intended for use in the development of acreage there. In fact the company completed the first pipe line to be laid into that section, with the construction of an 8 inch line from Ranger to Dallas. As early as last September the company had a settled production of 1,500 barrels daily in that field, and in Stephens County controlled 150,000 acres of land.

Working Capital

Fully commensurate with the growth in facilities and business done has been the expansion of resources with which to take care of that business. In 1912 when gross business was less than $15,000,000, working capital totaled over $15,000,000. The latest report issued was that for the six months ended December 31, 1918. The fiscal period used to end June 30, but last year was changed to conform with the calendar year. Hence a report of operations covering the last six months of 1918. In that period gross business done was $44,522,000, and as of December 31, 1918 working capital was almost $64,000,000. With gross running at the annual rate of nearly $90,000,000, the ratio of working capital to business

done was smaller than in 1912, but it was over 71% which was high enough.

As of December 31, 1918 current assets were about $90,000,000 of which over $16,000,000 was in the form of cash and Government securities. Stocks of oil totaled $46,853,000. The balance sheet did not indicate any noticeable amount of bank loans. The reserve for Federal taxes was $11,564,000 or about $5,000,000 less than the total of cash and Government securities. The accompanying table will show the growth of working capital over a period of years.

At the end of 1918 plant account stood at $76,151,807, and advances to subsidiary and affiliated companies were $16,370,000. Stocks in subsidiary companies were given a value of $21,119,000. In addition an item of $16,370,000 represented advances to subsidiary and affiliated companies. The reserve for sinking fund and depreciation was $33,275,000. An adequate allowance for property depreciation has always stood out as a commendable part of operations. This item as of June 30, 1917 was only $15,000,000. At that time plant account was fixed at $37,865,000.

Table I—Working Capital

June 30, 1914	$25,100,894
June 30, 1915	27,559,996
June 30, 1916	38,774,344
June 30, 1917	43,876,735
June 30, 1918	64,056,673
December 31, 1918	63,877,942

In other words, since June 30, 1917, about $18,000,000 had been added to depreciation account, and $39,000,000 to plant account, an increase in this last item of over 100%. Profit and loss surplus was $60,000,000 at the end of 1918 compared with $40,270,000 as of June 30, 1917.

Dividend Record

Since 1902 the company's cash dividend record has been unbroken. In that year shareholders received $5 a share. That was the lowest rate paid in the period from 1902 to the present. In 1911 a 50% stock dividend was declared, but as has been explained in the foregoing, subsequent additions to share capitalization were accomplished through the offering of stock at $100 a share. Up until 1914, the dividend record annually was irregular, but in 1914 the stock was placed upon a $10 basis where it has been continued ever since. From time to time there have been rumors of an increase in the cash dividend rate, but such a development has never received official sanction. This $10 rate is well protected by earnings, and in the present condition of the company the assumption would be that a continuance of at least that rate was indefinite.

Not since 1913 has the stock of the Texas Co. sold in the open market below par or $100. In 1913 a low price of 89 was recorded, but the low since then has been 112 which was recorded in 1914. The stock of Texas Co. has had since the first of January 1919 an unbroken rise of over 100 points. The range of stock prices upon the New York Stock Exchange since 1910 is shown in the accompanying table.

Little is heard marketwise of the only bond issue that the company has outstanding. This is the issue of the convertible debenture 6s due 1931, of which $15,415,000 are outstanding.

The convertible privilege expired over four years ago. While these debentures are outstanding, the indenture provides that the company cannot execute any mortgage or lien on its property. With the convertible privilege non-existent, bonds make their appeal principally as an investment issue. Since January 1, 1919, the price range has been between 100 and 103, giving a yield of somewhat less than 6%. In view of the company's great earning power and its strongly fortified position, there should be no reason for hesitancy in purchasing these bonds from an investment standpoint. It will take a long search to find a bond of similar character which has better protection.

Texas Company shares, after a practically uninterrupted rise of 100 points, have reached a level where it takes more than a modicum of courage to buy them. The advance has been accompanied by few reports of contemplated offers of additional stock. Last January a director of the company was quoted as saying that additional stock would be offered during the current

year, although the amount and the time were not stated. The last payment on the issuance of the $15,625,000 stock, which brought the total amount outstanding to $85,000,000, was also completed on May 1.

A few years ago it was believed to be the idea of the company to have ultimately $100,000,000 capital stock outstanding and to rest at that point, but that supposition was advanced before the great oil boom, and now the share capitalization is within $15,000,000 of that total. It may be hazarded that the $100,000,000 point may be reached by the end of 1919, although this is in no wise based upon official or semi-official information.

Conclusion

From the standpoint of dividend return Texas Company shares are not attractive. Paying $10 a year and selling above 270, the yield is less than 4%, but the immediate cash dividend return has little, if anything, to do with the price of the stock. There are undoubtedly holders of Texas Company shares who have seen the company through its period of great development and who, through subscription rights are able to mark down the average cost of holdings to comparatively modest levels and who are well satisfied to await further developments.

After a rise of 100 points, it might be natural to regard the stock as "toppy," or unduly inflated, and yet the buying continues to be of good quality and to indicate that possibilities in the issue are not yet exhausted. It does not take a great volume of trade to influence the price of the stock and the floating supply is small. Indications may be found that Texas Company stock, in contrast with many of the speculative oil shares, has been bought to be put away and is not to be regarded as a commitment for a quick return.

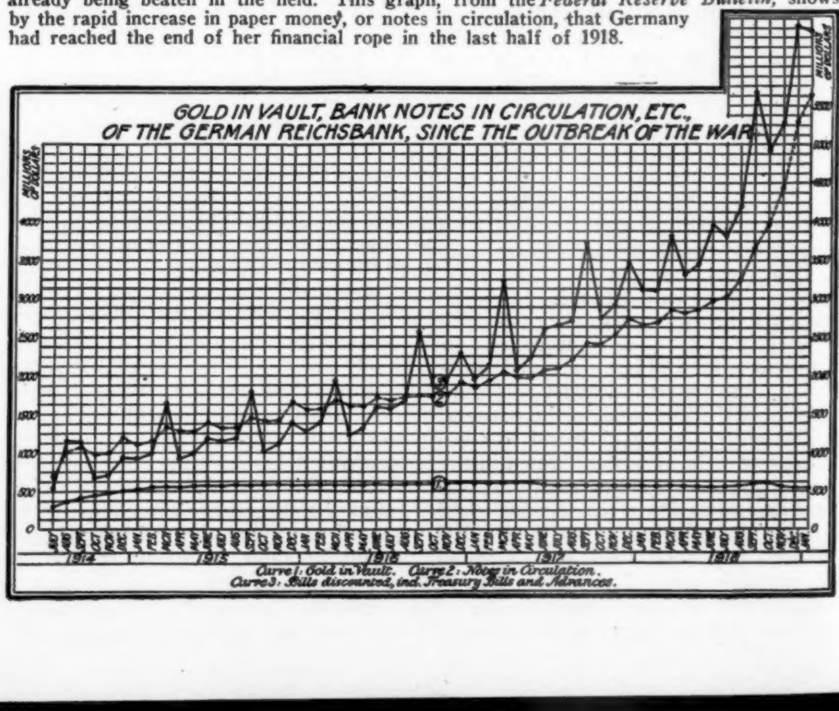
Table II—Price Range of Stock

	High	Low
1913	132½	89
1914	149⅞	112
1915	237	120
1916	241½	177¼
1917	243	114¾
1918	203	136½
*1919	292	184

*To June 10.

HOW PAPER MONEY UNDERMINED GERMAN CREDIT

Early in the war it was predicted that Germany would collapse through a financial breakdown. The financial breakdown came at last, but not until the Teutonic armies were already being beaten in the field. This graph, from the *Federal Reserve Bulletin*, shows by the rapid increase in paper money, or notes in circulation, that Germany had reached the end of her financial rope in the last half of 1918.



The Dye Industry a Husky Infant

By OWEN ELY

Complete Tariff Protection Promised—Peace Treaty Regulates Sale of German Output—Future of Butterworth-Judson and National Aniline & Chemical.

PRIOR to the war American manufacture of dye-stuffs was practically nil, owing to the well organized international monopoly of this business exercised by Germany. After the blockade of Germany became effective, American manufacturers immediately turned their attention to the production of chemicals and dyes, Thomas A. Edison doing pioneer work in the production of acids. Later the entry of this country into the war and the demand for nitro-glycerine, TNT, etc., considerably accelerated the growth of our chemical industry.

Little Danger of German "Dumping"

The industry is now well established, but apprehension has frequently been expressed that Germany, having accumulated large stocks during the war, would attempt to dump them in the United States and other countries, breaking the market and strangling our "infant industry" before it had gained its feet.

A number of steps have been taken to meet this danger. The Trading with the Enemy Act as amended November 4, 1918, gave the Alien Property Custodian power to seize all of the German patents registered in this country and permitted their use by American manufacturers. These patents, some 4500 in number, covering all sorts of chemical processes, were immediately taken over and sold by the Alien Property Custodian to the Chemical Foundation, Inc., for $250,000. This corporation was formed by the Custodian, and all of its $500,000 capital stock is held by American manufacturers of chemicals and dyestuffs. It leases on a royalty basis all of these patents without discrimination to any manufacturer who makes application therefor.

Under the Tariff Act of September 8, 1916 there is already in effect a heavy ad valorem duty on dye-stuffs, and President Wilson in his recent address to Congress advocated still further legislation to provide complete protection for the dye and chemical industry.

On May 20th the War Trade Board announced that the importation of German dyes would be prohibited except to the extent absolutely required. An advisory committee of eight members, four representing dye producers and four consumers, has been appointed to determine the maximum importations to be allowed. The War Trade Board issued a statement in March that importations of dyes from all foreign countries would be subject to control and regulation.

The Peace Treaty provides that the Allies may purchase the German surplus of dyes and chemicals under regulations fixed by the Reparations Commission. The official summary of the treaty states that:

"In order to effect payment by deliveries in kind, Germany is required, for a limited number of years to deliver coal, coal-tar products, dyestuffs and chemical drugs, in specific amounts to the Reparations Commission. . . . Germany accords option to the Commission on dyestuffs and chemical drugs . . . up to 50% of the total stock in Germany at the time the treaty comes in force, and similar option during each six months to the end of 1924 up to 25% of the previous six months' output."

The press copy of the text of the treaty published in the New York *Times* June 9th, indicates that the Commission will have full power to fix prices, "having regard to pre-war net export prices and to subsequent increase of cost." In exercising its options on 25% of current production the Commission may also take into account "the lowest net selling price of similar dyestuffs and chemical drugs to any other purchaser."

These requirements provide almost absolutely against any possibility of the "dumping" of German dyes upon the market either directly or through neutral agencies. Thus it seems to be assured that the dye industry in the United States will have every opportunity to maintain and develop the business which has had such a promising beginning.

Among the dye companies organized during the war, the two most prominent are the National Aniline & Chemical Company and the Butterworth-Judson Company.

A questionnaire recently sent to 156 users of dyestuffs in this country disclosed the following interesting facts, published in *The Literary Digest* of June 7th:

69% of these firms stated that American dyes are equal to German dyes in fastness, and 55% believe that they are equal in uniformity. In answer to the query as to their willingness to purchase German dyes in the future in order to obtain greater fastness, better uniformity, more variety, or cheaper price, about 55% of the firms signified their intention to buy from Germany on such a basis, while between 40 to 45% stated their determination not to buy German dyes, even if superior in these respects to the American product. This indicates that, in addition to other difficulties, the German dye industry will be greatly handicapped by its loss of goodwill in seeking to market its products in this country.

Butterworth-Judson

Butterworth-Judson, which was organized in its present form in December, 1915, and in 1917 took over the American Synthetic Dyes, Inc., has a very strong directorate and is sponsored by important banking interests. The President is W. A. Bradford of the Atlantic, Gulf & West Indies, and among the other officers and directors are Charles E. Mitchell, Vice-President of the National City Company; S. B. Fleming of the American Exchange National Bank and the International Agricultural Company; L. W. Baldwin of the Empire Trust Company; Col. William B. Thompson, former Chairman of Inspiration; Thomas L. Chadbourne of Wright-Martin and International Motors; and W. H. Aldridge of Magma Copper.

The capitalization of the property consists of $2,500,000 7% cumulative preferred stock ($500,000 of which was issued in 1918), 75,000 shares of common with no par value, and $21,000 6% bonds. The preferred stock is very closely held, the last sale having been at about par some time ago. It is redeemable at 105, and is convertible into common stock at 100—which apparently indicates the company's expectation that the common stock will eventually be worth more than $100 per share. The common stock has been selling on the curb for some time in the neighborhood of 30-35, and at that price seems to be a bargain as a "specvestment." At present it is rather inactive.

The company is engaged in the manufacture of better-grade dyes, chemicals and heavy acids. The "Judson" dyes are among the leading grades in the United States, and following National Chemical & Aniline, Butterworth should hold a leading place in the dye industry of this country. During the war period the company produced large amounts of heavy acids for the Government in connection with the war program, and an official of the company states that about 90% of the total business in the last three years has been in these lines.

The original plant of the company is located at Newark, N. J., but it has very quietly—undoubtedly out of earnings—constructed two other plants, one at Boston, Mass., and the other at Baltimore, Md. The conversion of the plants from a war to a peace basis is being rapidly made, as they were originally built with that plan in mind. The plants can readily be turned over to the manufacture of high grade dyes, as the production of heavy acids is closely connected with the making of dyestuffs.

The present prospects for Butterworth-Judson are exceedingly bright. It is understood that the company is rapidly retiring its bank loans and re-

ducing its swollen inventories; fixed charges will be considerably decreased, possibly cut in half, by a reduction of interest on loans and elimination of insurance on war materials, as well as the decrease of war taxes.

Operations at the Brunswick, Georgia, plant (owned by the Government) do not affect the 1918 income account; it is understood that the company received a commission from the War Department for supervising the production of picric acid at this plant, and that the income from this contract (which has now been cancelled) will be reflected in the 1919 income account. While the demand for dyestuffs was limited during the early part of 1919 owing to inactivity in the textile industry, its plants are now busy producing about 30 dyes, including several rare colors. The company is completing a research laboratory, which will enable it to carry on special investigations and produce new dyestuffs.

Large Earnings and Assets

In 1916, gross earnings were $4,530,931; in 1917, $2,746,145; and in 1918, $2,180,635. This sharp decline was largely due to the reduced prices paid by the Government for the company's products in 1917 and 1918 compared with 1916. Operating expenses declined in about the same ratio during the three years, the 1918 total being about 50% of that in 1916. Based upon the items in the balance sheet, fixed charges should not exceed around $140,000 annually. The income account does not give interest charges separately, but includes it in an item "fixed charges, etc." which is charged with $342,245 in 1916, $392,727 in 1917 and $528,745 in 1918. In addition, the amounts charged off for depreciation in corresponding years were $2,653,371, $259,488 and $523,414 respectively, a total of $3,436,273 in the three years. About $900,000 depreciation has been realized, the reserve for depreciation and amortization now standing at $2,524,521, or nearly 30% of the plant value.

Earnings have been as follows:

	1916	1917	1918
Net Income (000 omitted)......	$1,004	$1,469	$ 846
Per Share of Preferred.......	50	73	35
Per Share of Common.......	12	18	9

On a market value of $30 for the common stock, the average annual return would be 43%. Net tangible assets per share of common after deducting all indebtedness and the outstanding preferred stock amounted to $67 at the end of 1916; to $91 at the end of 1917; and to $106 at the end of 1918. The asset value of the common is, therefore, about three and one-half times the present market value—which indicates in a very striking way its speculative possibilities. The value per share assigned in the Balance Sheet (see footnote) is equivalent to $27 per share.

While 1919 earnings will not be as large as 1918, by 1920 the company should be in a position to pay off all of its back dividends on the preferred stock and perhaps begin dividends on the common. The accumulated dividends on the preferred now amount to about $25, and the sole reason for failure to make such payment is that the company has been putting all earnings back into the property.

BUTTERWORTH-JUDSON BALANCE SHEET 1916-8 (000 omitted)

	1916	1917	1918
Assets			
Plant	$6,060	$7,836	$8,574
Securities	752	129	238
Inventories	1,438	3,148	3,622
Other Current Assets	1,441	2,209	2,059
	$9,691	$13,317	$14,493
Liabilities			
Preferred Stock...	$2,000	$2,000	$2,500
*Common Stock...	2,000	2,000	2,000
Funded Debt, etc..	143	135	131
Notes and Acc'ts Payable..	2,495	3,981	3,892
Reserve for taxes	...	400	98
Reserve for Depreciation, etc.	2,048	2,319	2,544
P. & L. Surplus....	1,005	2,482	3,328
	$9,691	$13,317	$14,493

*Common stock has no par value. Stated capital and equity at commencement of corporation was $2,000,000.

National Aniline and Chemical

National Aniline & Chemical Company was organized in May, 1917, and is jointly controlled by the General Chemical Company, the Barrett Company and the Semet-Solvay Company by majority stock ownership. The company acquired the plants, goodwill, etc., of a large number of dyestuffs companies, so that as consolidated it is the largest manufacturer of dyes and coal-tar derivatives, producing more than one-half the dyes made in the United States. It has also entered the field of drugs, flavoring extracts, etc.

The size of the National Aniline's plant is indicated in a statement issued by President William J. Matheson:

> "We have capacity at our Marcus Hook Works for producing five times as much aniline oil as the total consumption of the country prior to the war, and the company is now the largest producer of aniline oil in the world. The Buffalo plant, a pioneer in the American color industry, is today as large as a German unit of the same class. The Brooklyn plant is an entirely new war institution, with a capacity in color production second only to that of Buffalo. The Wappinger Falls Works turn out a valuable line of color, among them some for fur dyeing. About 4,000 men are employed at the various factories and branches."

National Aniline & Chemical Company has led in the development of dyestuffs in the United States, producing 106 out of a total of 180 different dyes manufactured in this country in 1917. At the present time it produces 38 products not made by any other manufacturer.

The company has not published a complete income account, but net earnings for the seven months of 1917 were nearly $3,000,000, and for the year 1918 were estimated to be more than $4,000,000. This was after liberal provision for depreciation, writing down inventories, and accumulating tax reserves, these charges amounting to $8,800,000 in 1918.

Preferred Should be Steady Dividend-Payer

The company has no funded debt of any kind except a small real estate mortgage, and no bonds can be issued without the consent of the stockholders. An issue of $25,000,000 preferred stock was given in exchange for the various properties merged in 1917. A syndicate headed by White, Weld & Company recently acquired from these original holders 70,000 shares, which were offered to the public. At the present time there is outstanding $23,524,700 7% cumulative preferred stock, on which dividends have been paid at the full rate, back dividends having been made up in 1918. Estimated earnings on the preferred stock in 1918 were at the rate of over 17%, and there seems to be little doubt but that it will be a steady dividend-payer. It is now quoted at 88½@89½.

There are about 396,000 shares of common stock outstanding of no par value (equity value in 1917 balance sheet is given as $5), and during the 19 months for which estimated earnings have been reported, $11 has been earned per share—$5 in 1917 (at an annual rate of $8.50) and $6 in 1918. The market value of the common stock has risen from a low price of 24 on the curb to a recent high of 40; it is now quoted at about 36. The stock recently had a 10 point rise upon the announcement of the text of President Wilson's address to Congress, in which complete protection of the dye industry against German competition was advocated.

The balance sheet for 1918 has not yet been published, but it is reported that net current assets were in excess of $20,000,000, or about $90 a share of preferred stock (compared with $9,454,000 or $40 a share in 1917). Inventories for 1918 were stated to be $14,000,000 against $11,390,000 in 1917, and cash was about $3,000,000.

While the common stock does not seem to be as great a bargain as Butterworth-Judson (the difference in market value being due perhaps to the fact that Aniline preferred is already on a dividend basis), it is undoubtedly an attractive long-pull speculation.

Investment Outlook in Northwest

Will Farmers Invest?—Twin City Transit—Good Demand for Municipals—Banking Developments

By Our Minneapolis Correspondent

Will the farmers of the Northwest, who are going to find themselves flush with cash this fall, become buyers of securities?

In planning to enlarge their business during the readjustment era investment houses in the Twin Cities are again asking this question. It is a question that has been discussed often in financial circles in the agricultural Northwest in the past 25 years. There were times when large organizations were brought together to put high grade securities in the hands of the grain growers but in almost every instance the idea met with little success. About the time the war began the investment bankers of Minneapolis, home of the largest banking houses of the Northwest dismissed the foregoing question with the decision that farmers were a class who could never be brought to see that high grade bonds would offer them a good form of investment.

Farmers Slow to Invest

Much has been said all over the country about the value of the Liberty Loans in teaching people something about bonds and securities. It is indeed remarkable that in the Northwest, essentially an agricultural section, so many people who have had such a vague idea of what it means to buy securities now own bonds. It is natural, therefore, that bankers should begin wondering whether farmers will continue to buy other bonds, now that the Liberty Loan campaigns have ended.

A leading Minneapolis investment banker said the other day it was remarkable so many farmers who had shyed at the safest bonds had become heavy buyers of Liberty Bonds. Of course, the fact of the matter is that unreliable companies offering worthless stocks have preyed upon the farmers. To this day many farmers still question the integrity of some of the oldest and most reliable banking houses in the Twin Cities in the matter of investments, other than farm mortgages.

It is important right at this time when there is the possibility the farmer may become a buyer of securities for the Federal Reserve bank of the Ninth district, located at Minneapolis, to wage a campaign against the sale of fraudulent stocks. It seems that there are organizations which are still able wrongfully to induce the farmers to part with their money in spite of the blue sky laws.

Most bankers who have watched the Northwest farmer for the last 10 years will say the answer to the question whether farmers are going to invest in securities will depend on the results obtained by the campaign of the Federal Reserve bank, assisted by the Federal Reserve Board. John R. Rich, chairman of the Minneapolis Federal Reserve bank declares it is pretty hard to predict what the farmers will do in the future. Country bankers who have been watching the opportunity to get good securities into the hands of the farmers tell Mr. Rich that even the wealthy grain growers of the Northwest are still content to simply buy a mortgage on the neighboring farm when they have a little surplus money. Beyond that they do not care, at present, to do any investing.

There is plenty of evidence in the Northwest that the activities of the Capital Issues committee during the war have enlightened the farmer-business men. This is showing itself in that farmers are big investors in local enterprises. A survey just made by the University of Minnesota reveals the fact that co-operative organizations have increased tremendously in the past few years and that the increase will be remarkable in the next two years.

Authorities at the college of agriculture at the University point out that the time is coming when the limit will be reached in the number of these co-operative organizations that can be established in the communities of the state. Then the farmers, it is said, will have to turn their attention to other enterprises which would seek use of their funds.

There is no questioning the fact that the day is coming when business will look to the Northwest farmer for loans of money. Figures of the Minneapolis Federal Reserve bank show that the mortgage debt of the district is being reduced rapidly. There has never been a better time than now in the history of the Northwest for farmers to liquidate their debt. The guaranteed wheat price, which in reality means the government will pay the farmer a bonus, together with the introduction of the tractor and modern machinery, promise to aid the farmer in making the largest profits he has ever known.

Strange to say the Twin Cities section has heretofore had very few people who were buyers or owners of securities. As in every other city, the effect of the Liberty Loans is being shown. Banking houses report a large number of inquiries from persons who apparently were not interested in stocks or bonds until the war obliged the nation to issue its own bonds.

Twin City Transit

With events indicating that the Twin City

Rapid Transit company is going to receive an equitable cost-of-service franchise from the city of Minneapolis an unusual number of inquiries regarding the transit stock are being received. Like many other public utility companies, the Twin City Rapid Transit Company, the only street car system of Minneapolis, St. Paul, Stillwater and Lake Minnetonka, needs additional revenue.

Immediate completion of the cost-of-service franchise is now foreseen. The Minneapolis City Council has received an acceptance from the company of the $24,000,000 valuation and a seven per cent return. This leaves the council free in the drafting of the franchise.

The acceptance of this figure shows the willingness of the city and the company to get together. Officers of the company assert that the physical property cannot be duplicated for an amount equalling the total capital stocks and bonds now outstanding, which are $25,000,000 of stock and $19,888,000 of bonds.

Furthermore, these officers say, there has been invested in the property an amount of cash fully equal to the capital stock and bonds and this money is now in the property as physical assets, or represented by early development costs that could not be paid out of earnings during that period. Since the organization of the company in 1891 the dividends paid on the common stock have averaged only three and sixtenths per cent per year. Last year a dividend of only two per cent was paid—and that before the largest increase in wages took effect.

In his letter to the city council, Horace Lowry, president of the company said:

"In the opinion of the board of directors the said valuation is less than the fair value of the property as of January 1, 1919, and that the return to the company therein provided will not sufficiently compensate the stockholders whose money has been invested in the development of the property

"Fully appreciating, however, the great value to the community of having the franchise negotiations completed without delay and street railway service restored to its former high standard, and believing that under a modern cost of service franchise there will be closer co-operation between the city and the company, the board of directors authorize me to accept the offer of your honorable body as set forth in the report of your special committee on street railway matters and extensions and the same is hereby accepted."

Demand for Municipals

Bonds of the city of Minneapolis issued for many needed projects held in abeyance during the war are finding a good market. Eight or nine investment houses and trust companies of the city made bids for a recent issue of $265,000 in Hennepin county road bonds and the Minneapolis Trust company took the whole issue of 5s at a premium amounting to more than $6,000.

A good many Minneapolis bank stocks have changed hands recently. Investment houses report there is no difficulty in disposing of these local securities wherever they turn up. There is activity and a good market in bonds of the Northwestern Knitting company, the Rogers Lumber, preferred, and the Minneapolis Threshing Machine company.

Listed stocks and bonds will find a good market in the Northwest, especially next month, according to investment bankers. Confidence in the grain crop situation will induce many to buy.

The biggest piece of news regarding the financial growth of the Twin Cities in the last four years was the announcement this month that the Minneapolis Federal Reserve bank and the Northwestern National bank are to build two monumental bank buildings in the heart of the city, costing in the aggregate, $4,500,000. Both banks are to occupy sites of the same size. They will be built adjoining each other and the architecture of each building will harmonize. The Federal Reserve bank early this month bought its property outright on which it will build. It is certain that the building operations will commence at once, regardless of construction costs for both banks are now in very crowded quarters.

In making the announcement with regard to the new building, Theodore Wold, governor of the Federal Reserve bank, said that th resources of all the banks and trust companies of the district have increased in four years from $1,200,000,000 to $1,786,000,000. Four years ago the resources of the Federal Reserve bank were $25,000,000. Today they are $160,500,000. These figures are evidence, he said, of the growing banking strength of the Northwest.

While officials of the Federal Reserve bank refuse to discuss the subject it is known that they pride themselves on the fact that the bank has never had to draw on other reserve districts for funds, even in the movement of the crop. It will not be long until the bank begins the shipment of currency to the interior points to be used in moving the crop.

Banking Notes

Investment bankers are very much interested in the establishment of the State Bank of North Dakota, authorized at the last session of the Nonpartisan league. Policies of the bank with regard to the sale of securities to the farmers have not been made known but the investment bankers feel certain that some method by which the state bank will also serve as an investment house will be adopted.

Improved business for investment houses as a result of the ending of the war has forced a good many into new quarters. Half a dozen of the largest houses in the Twin Cities have moved since the first of the year.

Prominent Wall Street Men That I Have Known

By J. ARTHUR JOSEPH

THEY do come back. Some twenty-four years ago, John G. Carlisle, the then Secretary of the Treasury under the Cleveland administration, advertised for bids upon an issue of contemplated $100,000,000 4% Government Bonds. Among the applicants was Mr. Abram White, who did not possess any potential wealth. He put in an offer for $5,000,000 worth of bonds. It only cost a 2c postage stamp to send the letter to Washington and strange as it may seem, Secretary Carlisle granted Mr. White the allotment. It then only became a question of financing the deal. Russell Sage, Zimmerman & Forshay, J. S. Bache & Co., and other capitalists volunteered to see Mr. White through.

He made something like $500,000 out of the deal—and what a swath he cut—for a few months! He bought, or rather mortgaged, John McCall's estate on the Jersey Coast, and spent money *en prince*.

His meteoric career reminded me very much of a client who traded with the house of Rothschild, of Berlin. That man made a vast amount of money, and one day Mr. Rothschild said to one of the partners:

"I haven't seen Herr X around for some time. What became of him?"

The answer was made, "He piled up millions in the Franco-Prussian War. He spread out, he bought heavily of paintings; he had a fine collection, consisting of the best examples of Michael Angelo, Rembrandts, Franz Hals, and he possessed a Watteau that was a marvel. It was only a small canvas, six inches by ten, but it was worth a quarter of a million marks. Besides, he became a connoisseur—his jades and other precious stones would have done credit to the Vatican of Rome."

Mr. Rothschild paused and said, "He still has them—eh, most excellent?"

The manager then concluded, "Three years ago he bought himself a yacht, he invited a dozen friends, he provided for each a valet who was also a courier. He took his party around the world and when last we heard from him, he was in the Antipodes."

Mr. Rothschild pondered and answered, "That voyaging is bad—his paintings, his ivories, his jades and his other collections will all come back. He will not always be successful in the market and these things of course will be sold for his account, but the money that he has spent on traveling and sight-seeing will have to be charged up to experience—we shall never see a penny of it."

So with Abram White—he is back again in the Street, I saw him a few hours ago. He is ready for business. I wonder when and where he will make his next great coup!

* * *

What some people are pleased to call idiosyncrasies, fads and fancies, I attribute in many cases to heredity. The late Jay Gould burned the books that rightfully belonged to the Erie Railroad Company—he also wished to destroy every evidence of mismanagement.

Jay Gould was a wonder. When he made restitution for the Erie Railroad he was carrying for himself about 250,000 shares of Erie. This stock he kept, but the "restitution" consisted of Jersey Railroad bonds, Jersey & Midland bonds and New York & New Jersey bonds, none of which possessed any potential value.

It is not known to many hereabouts that Jay Gould was one of the greatest option writers that Wall Street ever saw. He thought nothing of selling puts or calls, as the case might be, on tens of thousands of shares of stocks, good for thirty days, for which he received one per cent and out of which he allowed three and a shilling commission to his agents. The men that he employed were chiefly "Jake" Rubino and his brother, Eugene, and Mr. George Blankman, who is still active in Wall Street.

In the late seventies he sent for Blankman one afternoon and said, "I want you to sell all the puts you can on Union Pacific at 34." The stock had closed, a few minutes previously, at 33½, and Blankman, thinking that he had misunderstood the order, rushed up Nassau Street, and overtaking Jay Gould, asked,

"Did you not mean calls, Mr. Gould, because Union Pacific just closed at 33½."

The little Wizard answered, "I know exactly what I told you, Blankman—I said *puts*. The stock will open tomorrow morning again, and those gentlemen who think that they have made such decided bargains will discover that I also know what is going on."

Blankman disposed of some 40,000 shares on option to Putman & Earle, F. A. Artrout, Glendenning, Davis & Emory and other firms.

Union Pacific opened the next morning from 38 to 40, because in the previous few hours Gould had wrenched the property away from the Vanderbilts just as the Vanderbilts had, a few years before, succeeded in getting it away from the Ameses of Boston.

After making restitution on the Erie, Mr. Gould, through the Rubinos, sold puts on 50,000 shares of Erie at 50—good only at the expiration of a year from the date that the puts were made. Those who bought them had to stand pat for the full twelve months, but as the stock was selling a point below the price they concluded they had made a very good bargain. Before the year expired, Erie was selling around 70, was paying a dividend, and the Hollanders were badly stuck with their puts. So gratified was Gould with what Jake Rubino did, that he gave him a special commission of $50,000, and with this money Jake Rubino started the firm of Biederman & Co., which lasted in Wall Street as long as the capital held out and this is not saying very much.

* * *

"Jim" Barlow, the famous lawyer, was one of the wonderful old-timers. He was coming through Exchange Place one day, just after luncheon, with both hands stuck in his pockets. Barlow was a very heavy man, weighing about 270 pounds. He was not over five feet nine in hight, so he cut a somewhat imposing figure.

"Billy" Travers, who was just emerging from Shultze's, where he lunched, saw the legal luminary, and in his hesitating manner of speech said, "J-J-J-Jim, y-you're the most w-w-wonderful s-sight I have s-seen—e-ever seen. You're the only l-l-lawyer that ever I n-n-n-knew, that h-had his hands in his own p-p-pockets."

* * *

Only a few weeks ago the U. S. Steel Corporation bought the Empire Building at 71 Broadway for five millions of dollars. It is not so many years ago that Mr. Gould was offered the same plot for nine hundred thousand dollars, and when I say not so many years ago, I mean that in 1885 he turned down the proposition.

The Sinclair Oil Company, some ten days ago, bought the Liberty Tower Building, a thirty-two story structure at 55 Liberty Street, for approximately two million dollars.

The biggest chance ever offered hereabouts was what is now known as the Morgan Building on the corner of Wall and Broad Street. When Drexel came on from Philadelphia in the early seventies, he purchased that entire plot, running from the Mills Building to the corner of Wall Street, for six hundred thousand dollars, and his friends were undecided whether he was a fit subject for a commission of lunacy investigation, or Croesus-like, had so much wealth that he did not know how to dispose of it.

It is not more than twenty years ago that the Stock Exchange Committee, of which Mr. Foote of H. L. Horton & Company was chairman, was offered the entire block from Broad Street and Exchange Place down to Beaver Street, through William Street, for five million dollars, but the wise gentlemen of the New York Stock Exchange concluded that there was no money in such a real estate deal, so they turned it down. That property today could not be bought for one hundred million dollars.

* * *

Francis E. Carley, who was once President of the Louisville & Nashville Road, was a very clever lawyer. He came on to New York practically unknown, however, but he succeeded in putting through a few deals that were marvels of conception. He wrested the Panhandle from the Vanderbilt control, and succeeded in putting the price of that stock up from nothing almost (around $2 a share) to well above $100.

Of course, without the aid and assistance of his very good friend, Mr. William K. Vanderbilt, he would not have met with the overwhelming success that he achieved. The then scion of the Vanderbilt family helped him to the extent of $250,000, and Panhandle stock, which closed on a Saturday night in the 40s, was made to sell on the following Monday morning at 80, at the opening. The bucket shops throughout the country, which were heavily short of it, were wrecked and ruined, but Carley pulled off one of the biggest coups recorded in the Street in many a year.

The experience of Mr. Carley has given recent rise to reports that Peoria & Eastern, a valuable feature of the Big Four System, is to be the subject of interesting litigation.

FAMOUS "CORNERS"

"Prairie Dog" (St. Paul) corner, November 6, 1865. Stock advanced from 57 to 275.

"Northwest" corner, November 23, 1872. Stock advanced from 74 to 230.

"Rock Island" corner, June 21, 1871. Private settlement.

"Lackawanna" corner, February 21, 1871. Private settlement.

"Northern Pacific," May 1, 1901. Stock advanced from 150 to 1000.

Getting after the Crooked Broker

THE revelations that have been made, says the N. Y. *Sun,* of inactivity in the District Attorney's office in prosecuting the dozens of crooked stock brokers and promoters who for months have been fleecing the public has given renewed energy to the work of the Commercial Frauds Bureau. Mr. Swann has promised that he will go after these dishonest brokers and promoters with all the powers at his command, and to that end has appointed two of his ablest assistants to direct the bureau.

Judge Swann has asked every one who has a complaint against a dishonest broker or promoter to come to him, and he will see that the complaint is investigated "to the bitter end."

It is probable that now after more than a year the method of procedure against bucket shops and lying promoters which was outlined by Edward S. Brogan soon after he took charge of the office will be put into effect. In that plan Brogan called attention to conditions he had found and indicated the portions of the criminal law which he thought would be most applicable to them, most of the sections having never been used since they were placed on the statute books in 1915.

Memorandum of Conditions

It took Brogan but a short time to find the following conditions, which he said he referred to Swann in a memorandum:

"The organization and promotion of hundreds of corporations of every description, organized usually under the laws of Delaware and selling stock in New York, having practically no real financial standing, in many cases without any assets excepting the printing press to turn out worthless shares of stock, and reaping thousands of dollars from foolish investors by false statements and prospectuses about the stock and the corporation.

"The unwarranted and unauthorized use of the names of prominent business, financial and professional men on the boards of directors of fake corporations.

"The publication of misleading prospectuses and the insertion of false advertisements by promoters, underwriters and brokers, containing false material representations regarding the stock and the financial condition of the corporations.

"The manipulation of prices of securities by pretended purchases and sales of securities, followed very often by bankruptcy and friendly receiverships which cover up the criminal methods of the promoters.

"Continuing business after insolvency by brokerage firms. Twenty brokerage houses are transacting business today although insolvent and robbing Peter to pay Paul.

"The bucketing orders by brokerage houses, covering up their methods by a system of obtaining comparisons from confederate brokers or employees of other houses who receive $50 to $100 a week outside of their salary to supply these comparisons.

"Hypothecation of customers' securities without their consent.

"Continual violation of section 957, which states that brokers shall deliver complete memorandum of purchase or sale of stock, even after written demand by a customer by refusing to deliver any memorandum within twenty-four hours after such demand, or by the delivery of an incomplete or false memorandum, leaving out the proper description of the securities, the full name of the firm from whom bought and to whom sold, the date and the hours between which the transaction took place, making it impossible for the customer to verify the transaction and possible for the broker to cover up his bucketing transaction.

"Larceny by brokers and salesmen from local and especially out of town customers and clients, by accepting their money for the purchase of stock and refusing to execute the orders, deliver the securities or return the money to customers, until, in many cases, they are informed that the matter is going to be brought to the District Attorney, when they are always too glad to settle and deliver the stock to avoid investigation."

IMPORTANT DIVIDEND ANNOUNCEMENTS

To Obtain a Dividend Directly from a Company the Stock Must Be Transferred Into the Owner's Name Before the Date of the Closing of the Company's Books

Ann. Rate	Name	Amount Declared		Paid to Holders as of	Payable
	A				
6%	Advance Rumely, p...	1½%	Q	June 16	July 1
7%	Allis-Chalmers, p.......	1¾%	Q	June 30	July 15
...	Allis Chalmers, p, ext, m	¾%		June 30	July 15
$6	Amer Beet Sugar, p...	$1.50	Q	June 14	July 1
8%	Amer Beet Sugar, c...	2 %	Q	July 12	July 31
7%	Amer Can, p..........	1¾%	Q	June 17	July 1
7%	Amer Car & Fdry, p..	1¾%	Q	June 13	July 1
8%	Amer Car & Fdry, c..	2 %	Q	June 13	July 1
$7	Amer Express..........	$1.50	Q	May 31	July 1
7%	Amer Hide & Leath, p..	1¾%	Q	June 14	July 1
$4.80	Am Int'l Corp, p.....u	$1.20	Q	June 16	June 30
$4.80	Am Int'l Corp, c.....u	$1.20	Q	June 16	June 30
7%	Amer Linseed, p.......	1¾%	Q	June 16	July 1
7%	Amer Locomotive, p..	1¾%	Q	July 3	July 22
5%	Amer Locomotive, c..	1¼%	Q	June 18	July 3
7%	Amer Public Serv, p..	1¾%	Q	June 14	July 1
7%	Amer Shipbldg, p.....	1¾%	Q	July 15	Aug. 1
$3	Amer Steel Fdries....	75c	Q	June 19	June 30
...	Am Sugar Refin, c..ext	½%		June 2	July 2
7%	Amer Sugar Refin, p..	1¾%	Q	June 2	July 2
7%	Amer Sugar Refin, c..	1¾%	Q	June 2	July 2
7%	Am Sumatra Tob, p...	3½%	S	Aug. 15	Sep. 1
8%	Amer Tel & Tel......	2 %	Q	June 20	July 15
7%	Amer Tobacco, p.......	1½%	Q	June 14	July 1
7%	Armour & Co, p........	1¾%	Q	June 14	July 1
5%	Associated Oil	1¼%	Q	June 30	July 15
7%	Atlantic Cst Line RR, c	3½%	S	June 19	July 10
5%	Atl, Gulf & W I S S, p	1¼%	Q	June 10	July 1
$10	Atl, Gulf & W I S S, c	$5.00	S	June 30	Aug. 1
	B				
7%	Baldwin Loco, p........	3½%	S	June 7	July 1
7%	Barrett Co, p...........	1¾%	Q	June 30	July 15
8%	Barrett Co, c...........	2 %	Q	June 16	July 1
8%	Beth Steel, 8%p.......	2 %	Q	June 16	July 1
7%	Beth Steel, 7% p.......	1¾%	Q	June 16	July 1
5%	Beth Steel, c..........A	1¼%	Q	June 16	July 1
5%	Beth Steel, c.........B	1¼%	Q	June 16	July 1
...	Beth Steel, c.....A, ext	¼%		June 16	July 1
...	Beth Steel, c.....B, ext	¼%		June 16	July 1
$7	Booth Fisheries(p....	$1.75	Q	June 14	July 1
6%	Brooklyn Union Gas...	1½%	Q	June 13	July 1
	C				
$7	California Packing, p..	$1.75	Q	June 16	July 1
8%	Canadian Gen Elec, c..	2 %	Q	June 14	July 1
10%	Canadian Pacific, c....	2½%	Q	May 30	June 30
7%	Case Thresh Mach, p..	1¾%	Q	June 16	July 1
7%	Central Leather, p.....	1¾%	Q	June 10	July 1
4%	Chesapeake & Ohio...ss	2 %	S	June 13	June 30
2%	Chic Great Western, p..	1 %	S	June 14	July 1
8%	Chic & Northwest, p..ss	2 %	Q	June 2	July 1
7%	Chic & Northwest, c..ss	1¾%	Q	June 2	July 1
6%	Cities Service, p.......	½%	M	June 14	July 1
6%	Cities Service, p.......	½%	M	July 15	Aug. 1
6%	Cities Service, c.......	½%	M	June 14	July 1
6%	Cities Service, c.......	½%	M	July 15	Aug. 1
...	Cities Service, c..ext, e	1 %		June 14	July 1
...	Cities Service, c..ext, e	1 %		July 15	Aug. 1
...	Cities Serv, c bkrs,sh,gg	42.8c		June 15	July 1
4%	Colo & South, 1st p..ss	2 %	S	June 14	June 25
8%	Cons Gas, El Lt & Pr..	2 %	Q	June 14	July 1
7%	Continental Can, p....	1¾%	Q	June 20	July 1
6%	Continental Can, c....	1½%	Q	June 20	July 1
7%	Crucible Steel, p.......	1¾%	Q	June 16	June 30
7%	Cuba Cane Sugar, p...	1¾%	Q	June 16	July 1
7%	Cuban Amer Sug, p..	1¾%	Q	June 16	July 1
10%	Cuban Amer Sug, c...	2½%	Q	June 16	July 1
	D				
7%	Dominion Steel, p.....	1¾%	Q	June 14	July 1
6%	Dominion Steel, c.....	1½%	Q	June 5	July 1
6%	duP deN & Co, deb stk	1½%	Q	July 10	July 25
5%	duP deN Powder, p...	1¼%	Q	July 19	Aug. 1
6%	duP deN Powder, c...	1½%	Q	July 19	Aug. 1
	E				
4%	Electric Stor Bat, p...	1 %	Q	June 16	July 1
4%	Electric Stor Bat, c....	1 %	Q	June 16	July 1
	G				
6%	General Chemical, p...	1½%	Q	June 18	July 1
8%	General Electric.......	2 %	Q	June 7	July 15
...	General Electric, ext..x	2 %		June 7	July 15
7%	Goodrich (B F), p.....	1¾%	Q	June 20	July 1
7%	Gulf States Steel, 1st p	1¾%	Q	June 16	July 1
6%	Gulf States Steel, 2nd p	1½%	Q	June 16	July 1
	H				
4%	Hocking Valley.........	2 %	S	June 13	June 30
	J				
7%	Jewel Tea, p...........	1¾%	Q	June 20	July 1
	K				
6%	Kelly-Springf Tire, p..	1½%	Q	June 16	July 1
$1	Kennecott Copper.....	25c	Q	June 6	June 30
...	Kennecott Cop, ext..dd	25c		June 6	June 30
	L				
6%	Lackawanna Steel, c...	1½%	Q	June 10	June 30
10%	Lehigh Val R R, p..ss	$1.25	Q	June 14	July 5
$3	Lehigh Val R R, c..ss	75c	Q	June 14	July 5
7%	Liggett & Myers Tob, p	1¾%	Q	June 16	July 1
7%	Lorillard (P) Tob, p..	1¾%	Q	June 14	July 1
12%	Lorillard (P) Tob, c..	3 %	Q	June 14	July 1
	M				
8%	Mexican Petrol, p......	2 %	Q	June 14	July 1
8%	Mexican Petrol, c...r	2 %	Q	June 14	July 10
7%	Montana Power, p....	1¾%	Q	June 14	July 1
5%	Montana Power, c.....	1¼%	Q	June 14	July 1
	N				
7%	Nat'l En & Stamp, p..	1¾%	Q	June 10	June 30
5%	National Lead, c.......	1¼%	Q	June 13	June 30
7%	National Sugar Refin..	1¾%	Q	June 9	July 2
$1	Nipissing Mines	25c	Q	June 30	July 21
...	Nipissing Mines, ext..	25c		June 30	July 21
	O				
f5¼%	Ohio Cities Gas, p..	1¼%	Q	June 14	July 1
$7	Owens Bot Mach, p....	$1.75	Q	June 21	July 1
$3	Owens Bot Mach, c....	75c	Q	June 21	July 1
7%	Pan Am Pet & Tr, p..	1¾%	Q	June 14	July 1
$5	Pan Am Pet & Tr, c..r	$1.25	Q	June 14	July 10
8%	Pierce-Arrow Motor, p	2 %	Q	June 16	July 1
	R				
8%	Railway Steel Spring, c	2 %	Q	June 17	June 30
$1	Reo Motor	25c	Q	....	July 1
7%	Republic Ir & Steel, p..	1¾%	Q	June 16	July 1
6%	Republic Ir & Steel, c	1½%	Q	July 16	Aug. 1
	S				
$1	Shattuck-Arizona ...dd	25c	Q	June 30	July 19
6%	Southern Pacific	1½%	Q	May 13	July 1
8%	South Porto Rico Sug, p	2 %	Q	June 16	July 1
$12	Standard Oil of Ky.....	$3	Q	June 14	July 1
$5	Stutz Motor Car of Am	$1.25	Q	June 23	July 1
	T				
7%	Tobacco Products, p...	1¾%	Q	June 16	July 1
7%	Twin City Rap Trans, p	1¾%	Q	June 14	July 1
	U				
7%	Underwood Type, p...	1¾%	Q	June 5	July 1
8%	Underwood Type, c....	2 %	Q	June 5	July 1
...	Under'd Type, c,ext,xx	5 %		June 5	July 1
10%	Union Pacific, c......	2½%	Q	June 2	July 1
7%	United Drug, Co, c....	1¾%	Q	June 16	July 1
5%	U S Steel, c...........	1¼%	Q	May 29	June 28
	W				
$4	Westingh El & Mfg, p	$1	Q	June 30	July 15
$4	Westingh El & Mfg, c	$1	Q	June 30	July 31
$4	White Motor	$1	Q	June 14	June 30
7%	Willys-Overland, p	1¾%	Q	June 20	July 1
7%	Woolworth (F W), p..	1¾%	Q	June 10	July 1
7%	Wor Pump & Mach, p,A	1¾%	Q	June 20	July 1
6%	Wor Pump & Mach, p,B	1½%	Q	June 20	July 1

a—Initial dividend.
dd—Capital distribution.
e—Payable in common stock.
ext—Extra dividend.
f—Payable 1¼% each January, July and October and 1½% in April.
gg—Includes regular monthly ½% cash dividend and cash proceeds from sale of stock dividends due on Bankers shares.
j—Payable 2% each March and September, 2½% in June and 2¾% in December.
m—On accumulated dividends.
ss—Subject to approval of Director General of Railroads.
u—Rate not increased; declared on 80% paid in stock.
x—Payable in stock.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Boston & Maine Traffic Not Increasing

Although the road for the four months ended April 30, 1919, showed a gain in gross of $1,600,000, all of this and more was accounted for by increased freight and passenger rates which have been put into effect. The volume of traffic for the period was below that of the same period in 1918.

Chi., Mil., & St. Paul Higher Freight Rates Asked

Increases up to 55% in the rates, above those effective prior to June 25, 1918, on bullion and smelter products from points to New York and intermediate points over the Chicago, Milwaukee & St. Paul; Chicago, Rock Island & Pacific; Missouri Pacific and "southwestern lines," and the Oregon Short Line railroad, have been filed with the I. C. Commission for approval.

Rock Island—Dividend Status

At a meeting of directors of the company no action was taken on the preferred dividends.

After the meeting the following announcement was made:

The company made application to the Director-General for approval of the regular semi-annual dividend upon the preferred stocks, without which the directors cannot declare a dividend, but this was refused upon the ground that the road has not signed its contract with the Government, has not accepted the allocation of equipment made to it by the Director-General, and has not through its corporate channels financed the additions and betterments made by the Administration.

The standard return is $16,000,000, sufficient for all fixed charges and full dividends on the 7% and 6% preferred stocks, and a margin of 2% upon the common. The company has not signed the contract with the Government, because its claims for additional compensation have been declined, and it considers the allocation of equipment unreasonable. The directors will not waive these claims until they have exhausted every legitimate effort.

This matter has the active attention of the officers, and the board is hopeful the dividend on both preferred issues can be declared at an early date.

Denver & Rio Grande Interest Notice

Equitable Trust Co. of New York has issued the following: The receiver of the company is unable to pay the interest on the 5% improvement bond mortg. due June 1. The necessary appropriation bill not having passed Congress, the Govt. has failed to pay to the receiver sufficient of the actual earnings of the road, and the court will not permit the receiver to borrow on warrants. It is expected, that within the 60 days of grace allowed the necessary appropriation will have been passed and the receiver placed in funds to pay the June 1 coupons. Meanwhile these coupons will be purchased from holders desiring to sell by the Equitable Trust Co. of New York on account of the Western Pacific R. R. Corp., on presentation at the offices of the Trust Co.

Lehigh Valley Common Dividend Reduced

The company has declared a quarterly dividend of 1¾% on the common stock payable on or as soon after July 5 "as the company receives from the U. S. Gov't an adequate payment of the rental now due,"

to holders of record June 14. This reduces the annual rate on the common stock from 10% to 7%. The regular quarterly dividend of 2½% on the pref. was also declared.

President Loomis is quoted as saying: "This action has been taken because we believe it is the conservative thing to do at this time. Paying 10% dividends under existing conditions—in the judgment of the directors—leaves too small margin of safety for careful management.

"If future earnings of the Lehigh Valley RR. Co. and its controlled properties should, after providing for all contingencies, justify it, the board will give careful consideration to an increased distribution to its stockholders."

M. K. & T. Interest

Announcement was made that the coupons for interest matured Dec. 1, 1918, on the first mortgage 4% bonds will be paid upon presentation at the office of the agent for receiver, 61 Broadway, N. Y. City. The June 1, 1919, coupon will be deferred.

Missouri Pacific Net $4,323,483

Company reports for the year ended Dec. 31, 1918, surplus after taxes and charges, of $4,323,483, equivalent after preferred dividend to 88 cents a share on the $82,839,500 common stock. In 1917 the surplus was $6.48 a share on the common.

Under the instructions of the I. C. Commission the company has deducted from the above surplus of $4,323,483, a debit balance of $2,472,531 from settlement of revenue expenses and taxes, accrued prior to Jan. 1, 1918, leaving surplus for dividends of $1,850,952, or $2.57 a share on the preferred stock.

New Haven Would Reopen Old Station

A large number of petitioners having property and residing in the vicinity of the old Chickering passenger depot on the Providence division of the road at Gainsboro Street, beyond Massachusetts Avenue, appeared before the P. S. Commission and asked that it be reopened. The station has been closed 23 years and representatives of the road informed the commission cost that the road of reopening the station would be $147,000.

Pitts., Cinn., Chic. & St. Louis New Bond Issue Authorized

Company has been authorized by the Utilities Commission to issue $20,000,000 of its 15-year 6% debenture gold bonds, dated January 1, 1919, and due January 1, 1934. The proceeds will be used to pay the R. R. Administration for improvements made and to reimburse the treasury for improvements.

Pennsylvania Takes Over Cumberland Valley

P. S. Commission has approved the acquisition by the Pennsylvania R. R. of this company.

Under the agreement the purchase price of stock is to be $150 a share.

Railroad Rates—Federal Control Upheld

The U. S. Supreme Court, by unanimous decision, reversed decrees entered by the North Dakota Supreme Court enjoining the Northern Pacific R. R. and Director-General Hines from enforcing an order of the Railroad Administration increasing rates in that State. The decision specifically upheld freight and passenger rate increases made by the Railroad Administration in June, 1918. The court also set aside decrees of the lower court which held that under Section 15 of the Railroad Control Act, pre-existing intra-State rates remained in effect as lawful police regulations.

The court held that the authority conferred by the resolution and the Act were war powers conferred on the President and that the power of the Federal Government was "supreme and conclusive." The opinion, which was written by Chief Justice White, in effect authorizes the R. R. Administration to continue the collection of the increased freight and passenger intra-State rates as provided in orders issued in June, 1918, which orders provided for a 25% increase in freight rates and an increase in passenger rates to a three-cents-a-mile basis.

Southern Pacific Oil Operations Conversion

Fuel oil department of the company is reported making great progress on their three test wells west of the Kern River fields. Two are already down a great depth and the third has reached 9,000 ft.

It is reported the company has found indications of oil in two of the wells. A camp has been established in the field and new buildings to quarter the drillers are being constructed.

Up to June 2 last, the date of the expiration of the conversion privilege, there had been a total conversion of $27,272,310 Southern Pacific 4 per cent. bonds. This amount represents practically *one-third of the entire issue,* leaving outstanding bonds amounting to $54,541,690. The bonds were converted into common stock of the Southern Pacific Company at the rate of $130 par in bonds for $100 par in stock.

INDUSTRIALS

Advance-Rumely—Stock Retirement

Retirement of half the preferred stock of the company is expected at around par.

Amer. Can Dividend Outlook

Company's heavy cash requirements continue to stand in the way of dividends on the common stock and action is likely to be postponed until working capital tied up in the business is lessened by a readjustment of industrial conditions to normal. Tin plate at $7 a 100 lbs., against $3 in May, 1915, explains the necessity of conservatism regarding its liquid resources.

Amer. International Will Oppose Marine Deal

Directors of the corporation, which holds about 90,000 shares of the International Mercantile Marine Co. preferred stock, and a large block of the common, announced that all that stock would be voted in opposition to the sale to a British syndicate of the Marine Co.'s Brirtish-owned ships, and declared for formation of a protective committee for both classes of stock.

Amer. Linseed Company

Common stock had advanced in response to the rise of 13 cents a gallon in the linseed oil market. In its last annual report, as of Sept., 1918, the company carried linseed oil inventories at $4,000,000, on a basis of 50 cents a gallon which is now selling above $1.80 a gallon.

Amer. Locomotive Foreign Orders

Company has received an order for 12 Mikado type locomotives from the Korean Government railroad. These are to weigh 206,000 lbs. each.

Amer. Smelting & Refining—Status in Mexico

Despite recent outbreaks in Northern Mexico, the company's properties there continue to enjoy immunity from Villa's bands. Current operations are handicapped by unsettled condition of transportation due to destruction of railroad property, but the company's smelters and mines have not been molested.

Little is expected in suppressing the bandits until Mexico's finances have been placed on a stable basis, enabling the Government to equip and pay its troops.

Amer. Steel Foundries Stock on $3 Basis

Company has declared a dividend of 75 cents per share, placing the stock upon a $3 per annum basis.

The declaration of a regularly quarterly dividend of 75 cents on the new stock of the American Steel Foundries makes the rate of the new stock equal to $9 a share on the American Steel Foundries old stock which was recently split up three for one. Dividends have been paid on the old stock at the rate of $8 per year.

Atlantic, Gulf & West Indies Oil Operations

Company's oil subsidiary in Mexico is drilling another well which officials expect will be brought in shortly.

Company interests emphasize that the bringing up to date of three wells with a potential daily production of 200,000 barrels proves beyond all question the value of the land. Earnings from this source in 1920 will be about $20 a share on Atlantic Gulf common stock, it is said.

Bucyrus Sells Power Plant

Electric light and power plant of the company, formerly owned by J. T. Lynn, of Detroit, has been transferred to the American Gas & Electric Co., New York.

Among the assets of the plant is a fifty-year franchise for lighting Bucyrus streets. The New York corporation is extending its high tension line from Shelby to Bucyrus, the Shelby station being supplied by current from producing stations at Newark and Ballville. The line is to be finished Oct. 1.

Chandler Motor Dividend Increased

Company has declared a quarterly dividend of $4 a share on common, putting stock on a $16 basis. Rate heretofore has been $3 quarterly. Dividend is payable July 1 to stock of record June 18.

Pres. Chandler issued following statement: "Business is splendid and directors feel justified in putting the stock on a regular basis of $4 quarterly. The 1919 output will be the largest company has ever had and this will be our most prosperous year. Plans call for an even larger output next year. The company is in a strong cash position having on hand cash and government securities of $4,500,000."

Continental Can Outlook Good

Holders of the company stock who had been expecting an increase in the dividend rate were disappointed when announcement of only the regular disbursement was made. It was reported in the financial district, from apparently official sources, that this dividend would be the last one at the 6% rate. It is understood the directors have decided definitely to increase the dividend but it was not discussed because several directors were not present. Some matters of even more importance to stockholders than the increase of the dividend came to light. This was the favorable situation of the company in respect to filling heavy orders for tin plate. The raw material is said to have been obtained at a favorable price and the profit on business now on the books will be attractive.

Dominion Steel Earns $17.04 Per Share

Net earnings for the year ended March 31, 1919, of $8,768,054, compared with $11,030,112 for the preceding year. Depreciation, etc., aggregated $1,301,322 and interest amounted to $1,013,264, leaving a $6,450,468 surplus for the year. Holders of the preferred stock shared $420,000 in dividend disbursements. After all charges, taxes and preferred dividends, balance of $5,470,468 was equivalent to $17.04 a share earned on the $32,097,700, against $7,601,660, or $23.68 a share in the preceding year. Common dividend payments totalled $1,765,374, which compare with $1,444,396 for the year before. Surplus was $3,705,094.

Eight Packing Houses to Merge

Merger of eight independent packing houses into one organization capitalized at $165,000,000, which will take its place with the big packing firms of the world, was announced yesterday. James Imbrie, active head of the banking house of Imbrie & Co., No. 61 Broadway, disclosed the facts in connection with the merger on receipt of telegraphic news from the Chicago office of his company.

"The new packing concern," said Mr. Imbrie, "is capitalized at $165,000,000. J. S. Hawkinson, vice-president of Wilson & Co., has resigned that position and has accepted the presidency of the new concern."

Fisher Body Earns $6.49 on Common

Report for the year ended April 30, 1918, shows net earnings after deducting all expenses, depreciations, etc., of $3,534,853, or $817,225 less than the preceding year. A reserve aggregating $306,564 was set aside for interest, compared with $203,101 the year before. Taxes amounted to $1,625,000, leaving $1,603,289 surplus. Holders of the preferred stock shared $304,539 in dividends, a decline of $21,766. Balance of $1,298,750 was equal to $6.49 a share earned on the 200,00 shares of outstanding common stock of no par value, against $2,528,177, or $12.64 a share in the preceding year.

General Electric's Balance Sheet

Balance sheet of the company, as of Feb. 28, 1919, compares: Assets—Real est. & mach. $45,868,109, $42,082,273; Mdse., mat., stock in pro. $95,745,835, $81,390,244; Cash & debts receiv. $88,819,538, $74,784,101; Misc. $43,542,140, $39,195,971; Total $273,975,623, $237,452,590. Liabilities—Capital stock $118,192,000, $112,594,200; Accts. payable $7,375,203, $6,464,519; Funded debt $14,312,000, $12,047,000; Floating debt $63,645,040, $38,015,954; U. S. Govt. l'n. $1,500,000; Surp., $68,591,379, $68,330,916.
Total, $273,975,623, $237,452,590.

General Motors Increases Capital

Stockholders at a meeting gave a vote of approval to the action of the directors in increasing the capital of the corporation from $370,000,000 to $1,020,000,000.

The total output thus is divided: Debenture stock, $500,000,000; common, $500,000,000; preferred, $20,000,000.

Griffin Wheel Merger Details

Regarding the merger of the company with American Steel Foundries, recently completed, trustees of the Griffin estate receive $90 per share cash for holdings of common plus interest at 7% per annum from Jan. 1, 1919, less dividend of 2% paid on April 15.

This offer is also open to minority holders of common stock; at par for 59,000 shares of preferred, and $90 per share for 87,000 shares of common. Steel Foundries is buying Griffin Wheel control on basis of $14,000,000 for whole company.

Status of preferred of Griffin Wheel remains unchanged. This issue has full voting power, and according to last balance sheet has $6,600,000 behind it in net quick assets. In short, Griffin preferred has over $100 per share in cash or equivalent behind it. Although relinquishing stock control of the company, trustees of Griffin estate will retain $1,500,000 in preferred and will have an active voice in the management.

In first four months this year the company earned net profits sufficient to pay full year's dividend of 6% on preferred and 7% on $8,700,000 common, with margin to spare.

Gulf State Steel Common Dividend Passed

At a meeting of the directors of the company, it was stated in view of the uncertainty of the general situation the board had passed the dividend on the common stock.

In the previous quarter the company paid 1%.

The company reports net operating income for April, 1919, as $23,294, against $67,124 in March and $80,839 in February.

International Agricultural New Construction

Corporation will spend $500,000 for expanding its operations of which a considerable portion will be in connection with New England business.

To handle its Maine business, chiefly from potato growers and the Newfoundland trade, the company will put up a plant near Lowell which will handle business from all New England.

Hereafter, the company will not only mix but bring its bulk acid phosphate from the South and establish economies compared with its present method.

At Norfolk the company will establish another manufacturing branch to cover parts of Pennsylvania and nearby territory.

The fertilizer season just ended has been the best in the company's history, prices having been satisfactory.

Marine Protective Commerce Opposes Ship Deal

Daniel W. Blumenthal, announces he has been retained by a stockholders' protective committee, representing holders and owners of preferred and common stock of the company, to investigate advisability of proposed sale of company's British tonnage. At present the committee, subject to reversal on its part, believes it would be better for the company to continue in the steamship business and instead of decreasing its holdings, to increase them.

Iron Products to Acquire Central Foundry

Announcement was made that the company had been incorporated in Delaware with a capital stock of $18,000,000, of which $3,000,000 is 8% cumulative preferred, convertible into common at $60 per share.

This company will acquire the Central Foundry Co. and other kindred corporations.

Keystone Tire Plan to Increase Capital Stock

Company will call a special meeting of stockholders soon to vote on an increase of capital from $2,000,000 to $5,000,000. The new stock will be distributed in the shape of dividends during July and August.

The Keystone earnings for the month of May were $1,200,000, compared with $730,000 in May, 1918, despite the fact that tire prices this year were fifteen per cent lower than last year.

Maxwell-Chalmers Merger

Official announcement was made that the consolidation of the Maxwell Motors and Chalmers Companies provides for a new corporation, which will have approximately 400,000 shares of no par value.

Terms of the consolidation call for the giving of 120 per cent in new stock for Maxwell first preferred; 60 per cent in new stock for the second preferred, and 70 per cent in new shares for Maxwell common. Chalmers preferred will get 90 per cent in new stock and Chalmers common 15 per cent.

Midvale Steel—Program

Directors of the company authorized the establishing of a pension system for employees and a plan for assisting them to own their own homes.

Under the plan, the company will advance 90% of the total cost of the property bought by any employee as his home, the amount to be repaid in installments in 12 years.

Under the pension system, any employee may retire at 65 but must retire at 70, and the amount of his pension is graduated according to his years of service, and his amonut of earnings.

Tenn. Copper & Chemical Present Operations

Company now has sulphuric acid capacity of 360,000 tons of 50-degree acid annually. All acid is being delivered to the International Agricultural Corp. at the old contract price of $4.81 a ton. At the expiration of the contract the company will manufacture acid phosphate, and it is believed that with its large acid production it should become one of the leaders in the fertilizer field.

United Drug Stock Increase—Purpose

At a special meeting of the full board of the company, it was voted to call a special meeting of stockholders on July 24 to increase the first pref. stock to $12,500,000, which would make total outstanding $20,000,000; and to authorize the sale at an appropriate time of $7,500,000 of such stock.

With this new issue of first preferred stock the company proposes to wipe out its entire floating indebtedness and redeem and retire the preferred stocks now outstanding against subsidiary companies.

U. S. Steel Large Order Received—Operations

One of the largest orders for steel placed since the armistice was that for 345,000 tons just given to the corporation by the General Motors Corp. The order, it is understood, covers a large variety of products, including bars, sheets, plates, shafting, etc.

It is understood that the order was placed at the same figures recently approved by the Industrial Board, which is further evidence of the steel market's continued and increasing activity.

Mills of the corporation are operating at 75% of capacity.

The Carnegie Steel Co. which recently took a large amount of Government business in plates, is operating its Homestead and Lower Union mills at 75% of capacity. Of domestic orders, mills have barely enough to keep at 45%.

In sheets there is steady increase in demand and orders are being booked at a heavier rate than for months. Automobile builders are specifying freely against contracts. On special finish sheets mills are booked ahead three or four months. Demand for electrical sheets is improving. Export inquiry is active.

Va. Carolina Chemical Dividend Increase Unlikely

An increase in dividend payments is unlikely until inventory account becomes more normal and bank loans reduced.

Willys-Overland to Reopen Plant

The auto plant of the company is expected to reopen at once, following issuance of an injunction by Federal Judge Killits restraining interference with workers.

Pickets are limited to 50 at 12 gates, with U. S. Marshals to superintend picketing.

New Woolworth President

Hubert T. Parson was elected President at a meeting of the Board of Directors. He has been acting President since the death of F. W. Woolworth, founder of the five and ten cent stores.

Mr. Parson was born in Toronto in 1872 and became connected with the Woolworth Company in 1892 as an auditor. He assumed active management of the concern in 1916 when he became Vice President.

"The policy of the company will remain unchanged," said Mr. Parson. "We have 1,056 stores operating, and business for the first five months of 1919 showed a gain of $5,800,000 over the corresponding period of 1918. The company is in excellent financial condition and the market for merchandise is much easier than six months ago."

PUBLIC UTILITY NOTES

Amer. Express Merger May Be Permanent

Temporary consolidation of the domestic interests of this company, the Wells Fargo Express Co. and the Adams Express Co., and their subsidiaries under the American Ry. Express Co., undertaken by the Government as a wartime necessity, may become permanent, according to a representative of one of the companies.

Amer. Tel. & Tel. Increased Rates Upheld

The U. S. Supreme Court handed down a decision, written by Chief Justice White, upholding increased telephone and telegraph rates put into effect on Jan. 21, 1919, by Postmaster-General Burleson. The court held that under the joint resolution by which the wire systems were taken over by the Government there was authority for interfering with intra-State rates. Decrees by

the South Dakota Supreme Court, enjoining the Dakota Central Telephone Co. and three other telephone companies from increasing intra-State toll rates in compliance with the Posmaster-General's order were set aside, and Federal court decrees permanently restraining the Postmaster-General from charging increased telegraph rates in Illinois were dissolved. At the same time Massachusetts decrees dismissing the State Public Service injunction against the New England Tel. & Tel. Co. were affirmed and original proceedings brought by the State of Kansas against Postmaster-General Burleson and the Southwestern Bell Telephone Co. were dismissed.

B. R. T. Order Authorizing Receiver's Ctfs. Appealed

An appeal from the order of Federal Judge Julius M. Mayer authorizing the issuance of $20,000,000 of receiver's certificates has been filed by the Central Union Trust Co., N. Y. The appeal has been set for argument before the U. S. Circuit Court of Appeals.

Brooklyn Union Gas Income Account

Gr. rev. $13,053,797, $12,243,761; Net aft. taxes $812,378, $2,129,430; Oth. income $242,-767, $261,914; Tot. income $1,055,145, $2,391,-344; Fixed chgs. $855,354, $859,912; Surplus $199,791, $1,531,432; Prev. surp. $5,744,072, $6,121,719 Adjustments deb. $68,350, cr. $199,-618; Dividends $1,080,000, $1,260,000; Ap. to. ct. fd., $848,697; P. & L. sur. $4,795,513, $5,-744,072.

Chicago Elevated Note Extension Expected

Maturity of the $14,000,000 2-yr. extended 6% notes of the company falls due July 1, but expectations are that holders will be asked to grant another extension as was done two years ago. It was reported that bankers in New York will ask for deposits of the notes, that a prospective committee may act for them.

Cons. Gas Co. of Balt. New Bond Issue

P. S. Commission took action on the application filed several months ago, to issue securities of $5,000,000, to be devoted to improvements and extensions made necessary by the city's growth.

The order authorizes the company to issue $5,000,000 of its three-and-one-half-year 7% secured convertible gold notes and to issue and deposit as collateral to secure its 30-year 6% first refunding mortgage sinking fund gold bonds of $3,500,000 and to issue its 30-year 6% first refunding mortgage sinking fund gold bonds of $1,500,000.

Empire Gas Note Issue

A syndicate organized to underwrite the new issue of $25,000,000 Empire Gas & Fuel Company bond secured sinking fund convertible five-year 6 per cent. notes has been closed. These notes are the direct obligation of the Empire Gas & Fuel and other

companies, including the Empire Refining Company, Empire Gasoline Company, Empire Petroleum Company and Empire Gas & Pipeline Company. These constitute substantially all the operating companies of the Cities Service Company engaged in the production and transportation and refining of petroleum and production and transportation of natural gas in Kansas, Oklahoma and Texas. The Empire Gas & Fuel Company is one of the largest and most important producers of high-grade refinable crude oil in the United States, with a daily production averaging approximately 40,000 barrels.

Mackay Co.'s Postal Officers Reinstated

Clarence H. Mackay, president of the company, gave out the following telegram he had sent to all offices of the Postal Company in the U. S.:

"On and after this date the following officials of the Postal Telegraph-Cable Co., removed by Postmaster-General Burleson, are restored to their positions formerly held in connection with operation of the lines of the Postal Telegraph-Cable Co., namely: Clarence H. Mackay, president; W. M. Cook, general counsel; Edward Reynolds, vice president and general manager, and A. B. Richards, general superintendent."

Mass. Gas to Enter Oil Business

The trustees recently decided to enter the oil business and in consequence, the Beacon Oil Co. has been incorporated with a capital of $2,500,000 to build an oil refinery (as soon as permits are obtained) on land in Everett now owned by the Massachusetts Gas Cos. interests. About 100 acres will be devoted to this new enterprise. Plans for the refinery, which have been filed with the authorities in Everett, show the capacity of the proposed plant to be 10,000 barrels of oil per day.

Associated with the Massachusetts Gas Co. in the oil industry will be Clifford M. Leonard of Chicago, Pres. of the Leonard Construction Co., etc. Harry Wollenberg also will be interested in this new oil company as an investor and as Vice-Pres. & Gen. Mgr.; Captain W. E. McKay will be President; James L. Richards will be Chairman of the Board; Edwin M. Richards will be Treasurer. Among the directors will be C. M. Leonard, Chicago; Robert Grant (Pres. of the New England Fuel & Transportation Co.); Henry B. Endicott (Pres. Endicott-Johnson Co.); Robert Winsor (of Kidder, Peabody & Co.); Louis K. Liggett Pres. of the United Drug Co.; Harry L. Wollenberg, and others prominent in the financial and business world.

The Massachusetts Gas Companies will have stock control. There will be no public offering of the securities and there are no circulars issued.

New York Edison Company

The annual report of the company for the year ended Dec. 31, 1918, shows surplus after charges and taxes, of $5,183,745, equivalent to $7.86 a share on the $65,945,417 stock compared with $10.05 a share in 1917.

Income account for the year ended Dec. 31, 1918, compares: Oper. rev. $25,329,203, $25,688,008; Oper. inc. aft. exp. & tax. $6,643,763, $8,063,963; Charges $1,460,018, $1,430,578; Balance $5,183,745, $6,633,384; Dividends $4,616,178, $4,616,816; Balance $567,567, $2,016,568; Add to sur. $141,620, $9,516; Prev. sur. $36,323,410, $36,573,155; Total sur. $37,032,597, $38,599,239; Appr. to con., $2,134,147; Other deduct. $106,733, $141,682; P. & L. sur. $36,925,822, $36,323,409.

New York Railways Court Order

Judge Mayer, in the Federal District Court, granted an order to the Farmers Loan & Trust Co. to bring suit to foreclose the adjustment mortgage of Jan. 1, 1912, which was made to secure an issue of $33,000,000, 35-year 5% income gold bonds, of which $30,616,487 are now outstanding. The Farmers Loan & Trust Co. is trustee under the mortgage.

So. Bell Tel. & Tel. to Reinstate Union Men

Postmaster-General Burleson has issued a statement that if any employes of the company at Atlanta have been discharged because they joined a union, such will be reinstated at full pay from date of discharge and the supervisor disciplined.

An investigation is now being made.

Third Ave. Railway Earnings

Net income of the Third Avenue Railway Company for the month of April, after charges and taxes, shows a deficit of $6,025, a decrease of $28,602 compared to the corresponding month last year. For the ten months ended April 31 there was a deficit of $682,082, an increase of $311,925 over that of the corresponding ten months of last year.

Western Union Telegraph New Cable Line

Arrangements for direct cable service between the U. S. and Brazil and thence along the entire eastern coast of South America, have been entered into between the company and the Western Telegraph Co. of Great Britain.

Laying of 3,200 miles of new cable, to be accomplished in six months, will connect Miami, Fla., with Belem, Brazil, by way of Barbados, the termini of the new line meeting the Western Union system at Miami and the coastal cables of the British company extending from Belem to Rio Janeiro, Buenos Ayres, and other South American cities.

OIL NOTES

Bigheart Prod. & Ref. Secures 100 Tank Cars

Company has secured 100 additional tank cars. This gives it a "fleet" of 160 oil cars, capable of carrying about 9,000 gallon of oil each. In the last two months the company has been gathering momentum in sales and production and with enlargements to its refinery completed, will need to obtain still greater oil carrying facilities.

Federal Oil Stock Increase

Company, at a meeting, authorized an increase in the capital from $4,000,000 to $6,000,000, of which 118,000 shares will be issued at this time.

Indian Refining Bond Call

Two hundred and fifty-one First Mtge. bonds of 1911, which are all of the bonds now outstanding, ranging in number from 3025 to 3995, both inclusive, have been called for payment at 102 and int. on July 1 at the Bankers Trust Co., New York.

Invincible Oil Corporation—Status of Company

J. S. Bache & Co. and S. M. Schatzkin of New York, and Cochrane, Harper & Co. of Boston, have underwritten the shares of the corporation, capitalized with $4,900,000 notes, which have been sold, and 280,000 shares of stock of $50 par.

Company is a consolidation of producing properties in Texas, Louisiana and Oklahoma. Present production is 3,500 barrels a day. Sixteen wells are being drilled, of which twelve are in the Ranger Field of Texas. Among the directors are J. S. Bache, Sol Wexler, Craig Colgate, J. B. Shearer, S. M. Schatzkin, and E. R. Ratcliff.

The new company starts with $2,000,000 cash working capital.

Island Oil Reports Gusher

Corporation received a telegram from its Mexico headquarters reporting that its Comales well has come in a gusher of light oil, shooting over the top of the derrick, whose height is 104 feet.

This boring showed continuously oil of 26.5 to 27 Beaume, a quality never previously approached by any Mexican oil and of market value vastly greater than ordinary Mexican oils.

The new Tepetate well of the Agwi Corporation, which is reported to be a gusher, is less than 300 feet from Island's Tepetate lot adjoining, on which a new well was started last week by the Island Corporation as an offset to the Agwi gusher.

Lone Star Gas New Stock

It is announced that the directors will shortly recommend to the shareholders that the company's capital be increased from $6,000,000 to $10,000,000, the $4,000,000 of new stock to be offered to the stockholders at par, $100 a share, the proceeds to be used in financing new gas pipe line construction and well drilling operations. The company's construction program contemplates a new 18-inch pipe line from the North Central Texas gas territory eastward to Cleburne, Tex., with a 16-inch line south from that point to serve Waco, Hillsboro, Waxahachie, Corsicana and other populous cities in the famous "black land" region.

Magnolia Pet. Present Operations

Company is understood to be closing several large contracts for fuel oil which will benefit the New England Fuel Oil Co. in that the latter will obtain a 30% royalty on production. The company has spent $1,500,000 in drilling wells and installing pipe lines, storage and wharfage facilities on the New England Co.'s properties.

In January and February, 1919, shipments averaged 12,000 barrels monthly. New contracts are expected to call for delivery in July and August. Present price for fuel oil is 17c. a barrel in Mexico. The New England Fuel Oil Co., through development of its properties by the company and Royal Dutch, has a potential production of 75,000 barrels daily. This output is from five wells.

Ohio Cities Gas Activities

Is drilling five new wells and grading roads for two additional wells in the Cabin Creek district, all of which are located in a three and one-quarter mile tract recently proven by new wells. One of the new locations is down 1,000 feet. The latest well, on the Sharp lease, is flowing 100 barrels a day, being three and one-quarter miles beyond the proven and operated territory. This makes the proven territory about eight miles long, giving sufficient additional proven acreage for about 200 more locations. The company has 2,000 barrels a day production in the Cabin Creek district, the oil being Pennsylvania grade and running 48 degrees gravity. It has a posted market price of $4 a barrel. The company's holdings in this district aggregate 70,000 acres.

Osage National Officers and Directors

Announcement was made that organization of the company has been effected by election of the following officers and directors: L. E. Whicher, president; C. C. Burger, treasurer, and H. Pelz, secretary, all of New York City. The dircetors include, beside the officers, R. M. Atwater, Jr., W. W. Cohen, W. H. Wood, all of New York, and Henry Sachs, of Colorado Springs, Col.

Producers & Refiners Corp. Acquires Refinery

Corporation has acquired the Pan American Refinery, a modern 6,000-barrel plant

at West Tulsa, Okla., and has made extensive additions to its leaseholds in Wyoming, Oklahoma and Texas. The leaseholds comprise 140,000 acres in Okla., Kans., Tex., La., New Mex. and Wyoming. The company is producing 2,500 barrels of crude oil daily.

Royal Dutch Development

Company's subsidiary, Roxana Co., is starting a development scheme and expects to drill in Wyoming in a year. Royal Dutch Co. proposes to spend £20,000,000 in developing Mexico and building oil stations in every important port in the world for supplying shipping.

Shaffer Oil & Refining Co. Organized

This company was incorporated in Delaware on May 31 with an auth. capital stock of $50,000,000 7% cumulative participating pref. (par $100) and 500,000 shares of common stock, no par value. The Corporation Trust Co. of America is the Delaware representative.

Sholan Co. Name Changed

At a special meeting of the company, the name was changed to Sinclair Consolidated Corp. The authorized capital stock was increased from 1,000,000 shares of no par value, to 5,000,000 shares.

Sinclair Oil & Refining Corp.

M. L. Requa has resigned as Director of the Oil Division of the Fuel Administration, and is to become associated with the Sinclair Petroleum interests.

June 5, company is reported conducting negotiations for purchase of Union Petroleum Co., which was incorporated in 1903 to succeed a co-partnership established in 1896. Capitalization consists of $1,000,000 stock, par $100, all outstanding.

The company operates refineries at Wellsville, N. Y., and Clarendon, Pa., having a combined capacity of 1,500 barrels daily. It also owns a majority interest in the Union Pipe Line Co., and maintains export shipping stations at Marcus Hook, Pa., and Westwego, La., and distributing stations at Phila. and Chicago. It has marketing stations in the Middle Atlantic and New England states and foreign branches.

The company always has been active in the export trade, purchasing its supplies from other refineries.

Southwestern Producing & Refining Land Purchase

According to the vice president, the company has purchased a small tract in block 98 in Texas, and negotiations are pending for the purchase of additional acreage in the same territory. It was reported storage facilities of the company are being increased at the refinery.

Texas & Pacific 7½% Special Dividend

Company has declared a regular quarterly dividend of 1½%, and a special dividend of 7½%.

Tidewater Oil Earns $17.69 per Share

Company reports earnings for the year 1918 equal to $17.69 a share after all charges and Federal taxes. This compares with earnings in the preceding year equal to $21.90 a share.

The annual report of the Tide Water Oil Company and subsidiaries shows earnings equal to $20.17 a share earned on the 319,000 shares outstanding, as compared with $27.75 a share earned in the preceding year.

Union Oil Brings in Well

Most important oil discovery in California the last year has been made by the company. Four weeks ago it brought in a well known as Chapman No. 1 in the Yorba-Linda field with an initial production of 6,000 barrels a day.

The company is in control of this new territory, which includes the Rich field as well as the Yorba-Linda field. The new discovery is regarded by some as important as the recent discoveries in Texas.

Union Tank Line Changes Name

At a special meeting of the stockholders of the Union Tank Line Company it was voted to change the name of the company to the Union Tank Car Company and also to authorize the capital stock of the company to be $25,000,000.

MINING NOTES

Alaska Juneau's Year

Gross income for the year ended December 31, 1918, amounted to $460,323, compared with $490,049. Operating expenses, etc., were $785,822, leaving a $325,499 deficit.

Anaconda Wages Reduced

Company has announced a reduction of 10% in wages in Butte, Great Falls and other places. In cases where bonuses are being received, the reduction went into effect immediately.

To meet higher living costs the company on four occasions in past months raised salaries of clerks and others not drawing over $300 a month.

Butte & Superior Secures 60 Acre Tract

Company has secured three claims, west of Butte, consisting of 60 acres. The property is opened 120 feet, uncovering a ledge 47 feet wide of silicious rock, showing over 95% silica, and affording assays of from three to 300 ounces of silver.

The company is said to have secured this property by an agreement to develop it, no cash being involved, the original owners retaining a small interest.

Calumet & Arizona Dividend Reduced

The directors have declared a quarterly dividend of 50 cents (5%) per share on the stock, payable June 26 to holders of record June 6. This compares with $1 (10%) paid in March and $2 (20%) paid quarterly in 1918.

Canada Copper to Issue Debentures

In order to obtain funds so that construction work at its holdings in British Columbia may be completed, and the mining operations originally planned carried out, the directors of the Canada Copper Corporation have decided to issue bonds.

Five-year 6% gold debentures to the amount of $710,000, to bear date of October 1, 1919, will be issued in denominations of $100, $500 and $1,000, with a bonus of 100% par value of company's capital stock.

Cresson Gold—Labor Situation

The labor situation in the Cripple Creek District is declared to be critical and unless more men can be secured several of the larger properties will be forced to close down. Men have been leaving the camp for weeks and now there are not enough there to operate the larger properties to say nothing of the smaller ones.

Inspiration New Officers & Directors

At a meeting of the company Theodore Schultz was elected to the Board to succeed W. B. Thompson, who resigned. W. S. Harper was elected assistant secretary and treasurer, to succeed E. J. Dudley.

Miami Copper Production

Company produced 4,989,580 lbs. copper in May, 1919, compared with 4,489,748 lbs. in April.

Mineral Separation—Court Decision

Washington Dispatch says that Justice Clarke delivered the opinion of the court in case of the company against Butte & Superior Mining Co. to recover for infringement of patent. The chief controversy centers about claim of infringement based upon use of oil in excess of 1% of the ore.

After a lengthy review the decision concludes: "The decree of the Circuit Court of Appeals that the Butte & Superior infringed the patent only when using ½ of 1% or less of oil on the ore must be reversed but that its implied holding that the use made by respondent of petroleum products and pine oil in excess of 1% on the ore did not contribute infringement must be sustained.

"Case is remanded to the district court for further proceedings in conformity with this opinion."

Nipissing Acquires Interest in Oil Field

E. P. Earle, resident of Nipissing Mines Company, Ltd., in a letter to stockholders says the company has acquired an interest in approximately one thousand acres of undeveloped land about twenty miles southeast of the Burkburnett oil pool, in Texas. Drilling of a well will be begun in about thirty days, he says.

North Butte Present Operations

Company is conducting a full development programme at its Granite Mountain and Sarsfield properties, but its mining operations are only 25% of normal, with the grade of ore averaging 3.2% copper and with an ounce of silver for each per cent of copper; 400 tons of ore are being shipped daily.

Onondago Development Earnings

The new management is centering its efforts on the swift development of this property, on which the vein boldly outcrops to the surface.

An inclined shaft was sunk along the vein for a distance of about 70 feet, when a dyke of igneous rock was encountered.

This was quickly penetrated and the vein again picked up on the other side, with the ore showing stronger, with values up to $40 per ton.

Two shifts per day are busily engaged in developing the vein to determine how far the rich values persist both in depth and laterally.

Tonopah Belmont Operations

Management states it is very much gratified with results being obtained on the 1,100-

foot level, where active exploration of the "South Vein" is being prosecuted.

Meanwhile its California and Colorado gold properties are expected to be on a paying basis within the next few months, according to President Clyde A. Heller.

Discussing Tonopah Belmont's status last week, Mr. Heller is quoted as saying that dividends were passed for six months in order that the company might continue to develop and finance its Eagle Shawmut gold mine in California and the Belmont Wagner gold holdings in Colorado. Work at these properties, Mr. Heller announced, was progressing in a manner which should result in their showing earnings shortly.

Tonopah Mining—Earnings

Though recently quoted at $3.75, the intrinsic value of shares of Tonopah Mining is figured at $5.67 a share, based on the company's total assets of $5,672,433.72.

For the first three months of 1919, the original Tonopah holdings of the company earned a net profit of $117,280, which compares with total 1918 net earnings for that part of the organization's property of $493,473.

The Tonopah & Goldfield Railroad, controlled by Tonopah Mining, paid $89,047 in dividends to the latter company in April, the boom in the Divide district adding materially to the company's earnings.

UNLISTED NOTES

Aetna Powder Business to Continue

Receiver Odell, of the company, denies reports that it is to discontinue its commercial powder business. He states the company's line of commercial dynamite, blasting caps and other commercial powder products is to be continued and that all of the company's eight domestic powder plants, are now in operation.

Amer. Malt & Grain Liquidation Plans

Vice Chancellor Lewis has signed a decree empowering the liquidators of the American Malting Co. to sell the assets of their company to the American Malt and Grain Co. The Chairman of the Liquidating Committee will have $4,200,000 in cash and liquid assets. The first preferred holders who did not deposit their stock under the liquidating plan will receive $61 a share. The American Malting common is wiped out with no equity.

The first preferred holders who deposited their stock will receive $31 a share in cash and 70% in the new company. The new company, with a capital of 50,000 shares of no par and a bonded indebtedness of $321,000 American Malting 5% bonds, due in six years and retirable at $50,000 a year, will start business with $1,000,000 cash in the treasury.

Maxim Munitions Bankruptcy Petition—Details

An involuntary petition in bankruptcy was filed in the Federal Court against the corporations.

Only three creditors, with $3,667 claims, appeared on the petition, but it was said that total liabilities would be $1,000,000, and that the going assets exceeded this. The corporation has a plant at Derby, Conn., valued at $350,000, and is subject to a mortgage. It is leased to the United States Cartridge Co. It is also the owner of bonds and notes of the Grant Hammond Co. of $250,000, and machinery, bills receivable, and contracts said to be worth $660,000.

The reorganization plan of the company will not be halted by the receivership. A reorganization committee was appointed to carry on the work. This consists of E. P. Dickerman, J. F. Huntsman, Jr., and E. B. McConnel.

Ohio Savold Tire to Begin Operation

Has purchased rights for the State of Ohio and will operate five principal plants in the largest cities. Operation expected to begin in June. Experienced tire men will be placed in charge of the plants.

MARKET STATISTICS

	Dow Jones Avgs. 40 Bonds	20 Inds	20 Rails	50 Stocks High	Low	Total Sales	No. Issues
Monday June 2	79.05	106.92	90.78	88.66	86.46	1,766,235	307
Tuesday June 3	78.97	103.83	89.41	88.58	85.55	2,219,600	311
Wednesday June 4	78.92	105.66	89.63	87.18	85.69	1,566,800	279
Thursday June 5	78.96	107.55	91.50	88.81	87.18	1,861,400	340
Friday June 6	78.82	107.46	90.05	89.56	87.89	1,780,300	300
Saturday June 7	78.45	107.55	90.19	88.89	88.11	785,800	263
Monday June 9	78.76	107.35	89.91	89.19	87.59	1,615,900	292
Tuesday June 10	78.69	105.43	88.68	88.40	86.07	1,893,300	310
Wednesday June 11	78.56	105.16	88.85	87.06	85.61	1,400,500	281
Thursday June 12	78.39	105.05	88.23	87.59	86.20	1,376,600	279
Friday June 13	78.32	102.85	86.92	86.50	84.57	1,627,100	299
Saturday June 14	78.27	102.78	86.76	85.07	84.14	706,700	245